

**TOWNSHIP OF CRYSTAL FALLS**  
**IRON COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**

**Fiscal Year Ended March 31, 2009**

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## ***Independent Auditor's Report***

Members of the Township Board  
Township of Crystal Falls  
Crystal Falls, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type, each major fund, and the aggregate remaining fund information of the Township of Crystal Falls, Michigan, as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Crystal Falls, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Crystal Falls, Michigan, as of March 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 22, 2009, on my consideration of the Township of Crystal Falls, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 9 and 34 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Crystal Falls, Michigan's basic financial statements. The comparative financial statements of the Water Utility Fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Township of Crystal Falls, Michigan. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry E. Gaudette, CPA, PC*

July 22, 2009

**TOWNSHIP OF CRYSTAL FALLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2009**

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 26.0% from a year ago – increasing from \$3.937 million to \$4.962 million. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$14,000 during the year (1.0% decrease). This is attributed to substantial spending (\$148,000) on road reconstruction completed in conjunction with the water project. The water project called for replacement of the roads removed to complete the project, approximately half-width in most places, while the Township Improvement Fund was used to complete the road replacements. In addition, the Township took an option to purchase 80 acres of land for \$149,000 to be used for future economic development. The option had a cost during the current year of \$20,000. The business-type activities experienced an increase in net assets of nearly \$1.039 million. The increase can be primarily attributed to grant funds received on the water project from the United States Environmental Protection Agency and United States Department of Agriculture (Rural Development Agency). In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 1,128	\$ 1,024	\$ 274	\$ 524	\$ 1,402	\$ 1,548
Noncurrent Assets	467	461	7,068	6,018	7,535	6,479
Total Assets	<u>\$ 1,595</u>	<u>\$ 1,485</u>	<u>\$ 7,342</u>	<u>\$ 6,542</u>	<u>\$ 8,937</u>	<u>\$ 8,027</u>
Long-Term Debt Outstanding	\$ 3	\$ 3	\$ 3,535	\$ 3,599	\$ 3,538	\$ 3,602
Other Liabilities	163	39	274	449	437	488
Total Liabilities	<u>\$ 166</u>	<u>\$ 42</u>	<u>\$ 3,809</u>	<u>\$ 4,048</u>	<u>\$ 3,975</u>	<u>\$ 4,090</u>
Net Assets:						
Invested in Capital Assets-Net of debt	\$ 468	\$ 461	\$ 3,205	\$ 2,137	\$ 3,673	\$ 2,598
Restricted	258	257	17	12	275	269
Unrestricted	703	725	311	345	1,014	1,070
Total Net Assets	<u>\$ 1,429</u>	<u>\$ 1,443</u>	<u>\$ 3,533</u>	<u>\$ 2,494</u>	<u>\$ 4,962</u>	<u>\$ 3,937</u>

**TOWNSHIP OF CRYSTAL FALLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2009**

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, decreased by \$22,000 for the governmental activities. This minimal decrease can be attributed primarily to the Road improvements (the roads are not owned by the Township) and the execution of the land purchase option. The current level of unrestricted net assets for our governmental activities stands at \$703,000.

The unrestricted net assets for the business type decreased by \$34,000. This can be attributed to the Water Fund performance which again shows a loss as reflected on page 37 of these audited financial statements.. While the retained earnings portion of unrestricted net assets in the Sewer Utility System continues as a deficit, the fund has implemented various changes to increase revenues and did show net income during the year thereby reducing the deficit of the fund from approximately \$15,000 to \$2,200.

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Program Revenues:</b>						
Charges for Services	\$ 45	\$ 38	\$ 541	\$ 427	\$ 586	\$ 465
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	0	0	1,070	1,559	1,070	1,559
<b>General Revenues:</b>						
Property Taxes	\$ 559	\$ 485	\$ 0	\$ 0	\$ 559	\$ 485
State-Shared Revenues	144	150	0	0	144	150
Licenses and permits	2	2	0	0	2	2
Unrestricted Investment Earnings	18	19	6	9	24	28
Refunds and reimbursements	4	4	0	0	4	4
Sale of property	19	32	0	0	19	32
Other	0	0	0	0	0	0
Transfers	(8)	(8)	8	8	0	0
<b>Total Revenues</b>	<u>\$ 783</u>	<u>\$ 722</u>	<u>\$ 1,625</u>	<u>\$ 2,003</u>	<u>\$ 2,408</u>	<u>\$ 2,725</u>
<b>Program Expenses:</b>						
Legislative	\$ 26	\$ 9	\$ 0	\$ 0	\$ 26	\$ 9
General Government	255	233	0	0	255	233
Public Safety	136	128	0	0	136	128
Public Works	326	318	586	510	912	828
Recreation and Culture	8	2	0	0	8	2
Community Betterment	3	7	0	0	3	7
Insurance	43	31	0	0	43	31
<b>Total Expenses</b>	<u>\$ 797</u>	<u>\$ 728</u>	<u>\$ 586</u>	<u>\$ 510</u>	<u>\$ 1,383</u>	<u>\$ 1,238</u>
<b>Changes in Net Assets</b>	<u>\$ (14)</u>	<u>\$ (6)</u>	<u>\$ 1,039</u>	<u>\$ 1,493</u>	<u>\$ 1,025</u>	<u>\$ 1,487</u>

**TOWNSHIP OF CRYSTAL FALLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2009**

The Township's net assets remain at a comfortable level. This can be attributed to conservative yet necessary planning and spending on past capital equipment and projects and implementation of cost savings measures.

**Governmental Activities**

The Township's total governmental revenues increased by approximately \$61,000 during the year. This was derived primarily from an increase in the assessed fire millage (voluntarily rolled back in 2008) and an increase in the price of garbage tags.

Expenses increased by approximately \$69,000 during the year. This is attributed to the substantial capital spending and road betterments completed in conjunction with the water project. Since these expenditures are elective and not part of the water project, they are recorded in the governmental funds.

**Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides sewer services to some of its residents and water to not only its residents but the City of Crystal Falls, Mastodon Township and Hematite Township as well. Sewer services are purchased from the City of Crystal Falls and the Township provides water from its own system. The revenues in water fund increased due to an increase in water rates. In addition, various Township residents that had been historically charged by the City of Crystal Falls for water are now being charged by the Township. That income is included for the entirety of the current year and is only a portion of the previous year. Sewer revenues due to a charge increase implemented part way through the prior year. Expenses in the sewer fund decreased slightly which is attributable to a drop in purchased utility services. The expenses in the Water Fund rose due to an increase in depreciation and interest expenses associated with the water system capital improvements completed during the year.

The Township will continue to closely examine its utility operations this year to maintain profits and cash flows.

**The Township's Funds**

Analysis of the Township's major funds begins on page 12, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as a federal grant/loan. The Township's major funds for 2008-2009 include the General Fund, Fire Protection Fund, Township Improvement Fund and each of the business type funds.

The General Fund pays for most of the Township's governmental services. The most significant are general maintenance of Township property and buildings, parks and recreation, maintaining the Township's equipment, and general administration. These services are primarily funded from property taxes assessed to the residents of the Township and revenues shared with the State of Michigan.

**TOWNSHIP OF CRYSTAL FALLS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**March 31, 2009**

The Township's Water and Sewer Funds are funded primarily through charges to customers for the services received.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Various accounts are amended as necessary, unanticipated expenditures are incurred by the Township in the course of its operations.

**Capital Asset and Debt Administration**

At the end of the 2008-2009 fiscal year, the Township had slightly more than \$7.3 million invested in a broad range of capital assets, including land and buildings, office equipment and a water system, net of depreciation. The water improvement project, undertaken during the prior fiscal year, was completed during the current fiscal year. In addition, the Township has invested significantly in roads within the Township which are not included in the total as the roads are owned by the Iron County Road Commission. These roads are maintained by the Road Commission with the costs recorded on their financial records.

The Township continued to timely service its existing debt in the Water Fund. Principal payments made during the year on the debt were \$44,000.

**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2009-2010 calls for no change in property tax rates in the general fund nor the Fire Protection Fund. Because of the impact of Proposal A, the new Michigan Business Tax and decreasing State Shared Revenues, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than the inflationary rate, the mathematical result is that the total taxable value for the Township will grow at a rate less than inflation, before considering new property additions.

Business Type Funds will continue to be scrutinized carefully to be certain that rates and/or fees for services are proportionate to the related expenses. The Water Bond Ordinance that has been adopted calls for the regular increase in water rates. The Sewer Fund income and expenses will continue to be closely scrutinized to insure that the existing retained earnings deficit is eliminated as outlined in the deficit reduction plan.

**Contacting the Township's Management**

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Supervisor's office.

**TOWNSHIP OF CRYSTAL FALLS**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**March 31, 2009**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and equivalents	\$ 615,706	\$ 224,487	\$ 840,193
Investments	246,313	0	246,313
Receivables – net	66,663	46,506	113,169
Inventory	1,332	2,553	3,885
Prepaid expenses	27,818	0	27,818
Internal receivables	169,756	258	170,014
<b>TOTAL CURRENT ASSETS</b>	<b>1,127,588</b>	<b>273,804</b>	<b>1,401,392</b>
<b>RESTRICTED ASSETS – Cash and Equivalents</b>	<b>0</b>	<b>175,805</b>	<b>175,805</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment, net of depreciation	467,363	6,885,577	7,352,940
Other	0	6,822	6,822
<b>TOTAL NON-CURRENT ASSETS</b>	<b>467,363</b>	<b>6,892,399</b>	<b>7,359,762</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,594,951</b>	<b>\$ 7,342,008</b>	<b>\$ 8,936,959</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 8,918	\$ 35,875	\$ 44,793
Accrued and other liabilities	4,326	92,905	97,231
Current part of non-current liabilities	0	45,000	45,000
Internal payables	146,780	177	146,957
<b>TOTAL CURRENT LIABILITIES</b>	<b>160,024</b>	<b>173,957</b>	<b>333,981</b>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>	<b>2,550</b>	<b>100,483</b>	<b>103,033</b>
<b>NON-CURRENT LIABILITIES</b>			
Compensated absences	2,963		2,963
Revenue bonds payable	0	3,534,517	3,534,517
<b>TOTAL NON-CURRENT LIAB.</b>	<b>2,963</b>	<b>3,534,517</b>	<b>3,537,480</b>
<b>TOTAL LIABILITIES</b>	<b>165,537</b>	<b>3,808,957</b>	<b>3,974,494</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related Debt	467,363	3,205,577	3,672,940
Restricted for:			
Prepaid expenses	27,818	0	27,818
Inventory	1,332	2,553	3,885
Bond discount	0	6,822	6,822
Fire protection	229,705	0	229,705
Capital improvements	0	7,160	7,160
Unrestricted	703,196	310,939	1,014,135
<b>TOTAL NET ASSETS</b>	<b>\$ 1,429,414</b>	<b>\$ 3,533,051</b>	<b>\$ 4,962,465</b>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
Year ended March 31, 2009

Functions/Programs	Expenses	PROGRAM REVENUES			Net Revenue (Expense) and Changes in Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Governmental Activities:							
Legislative	\$ 26,246	\$ 0	\$ 0	\$ 0	\$ (26,246)		\$ (26,246)
General government	254,668	0	0	0	(254,668)		(254,668)
Public safety	136,436	0	0	0	(136,436)		(136,436)
Public works	326,577	45,400	0	0	(281,177)		(281,177)
Parks and recreation	7,379	0	0	0	(7,379)		(7,379)
Community betterment	3,070	0	0	0	(3,070)		(3,070)
Insurance	42,984	0	0	0	(42,984)		(42,984)
<b>TOTAL</b>	<u>\$ 797,360</u>	<u>\$ 45,400</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(751,960)</u>		<u>(751,960)</u>
Business-Type Activities:							
Sewer	\$ 114,405	\$ 127,204	\$ 0	\$ 0		\$ 12,799	12,799
Water	471,920	414,340	0	1,070,240		1,012,660	1,012,660
<b>TOTAL</b>	<u>\$ 586,325</u>	<u>\$ 541,544</u>	<u>\$ 0</u>	<u>\$ 1,070,240</u>		<u>1,025,459</u>	<u>1,025,459</u>
GENERAL REVENUES							
					559,304	0	559,304
					144,073	0	144,073
					1,985	0	1,985
					18,310	5,547	23,857
					3,398	0	3,398
					10	0	10
					19,100	0	19,100
					(8,000)	8,000	
					<u>738,180</u>	<u>13,547</u>	<u>751,727</u>
					(13,780)	1,039,006	1,025,226
					1,443,194	2,494,045	3,937,239
					<u>\$ 1,429,414</u>	<u>\$ 3,533,051</u>	<u>\$ 4,962,465</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**COMBINED BALANCE SHEET**  
**March 31, 2009**

	<u>General</u>	<u>Fire Protection</u>	<u>Township Improvement</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and equivalents	\$ 344,886	\$ 198,563	\$ 72,257	\$ 615,706
Investments	138,712	0	107,601	246,313
Taxes receivable	27,828	13,385	0	41,213
Accounts receivable	200	0	0	200
Due from other funds	151,999	17,757	0	169,756
Due from other governmental units	25,250	0	0	25,250
Inventory	1,332	0	0	1,332
Prepaid expense	4,653	23,165	0	27,818
<b>TOTAL ASSETS</b>	<u>\$ 694,860</u>	<u>\$ 252,870</u>	<u>\$ 179,858</u>	<u>\$ 1,127,588</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,918	\$ 0	\$ 0	\$ 8,918
Accrued payroll expense	6,387	0	0	6,387
Accrued taxes and withholdings	489	0	0	489
Due to other funds	14,611	0	132,169	146,780
<b>TOTAL LIABILITIES</b>	<u>30,405</u>	<u>0</u>	<u>132,169</u>	<u>162,574</u>
<b>FUND BALANCES</b>				
Reserved for prepaid expenses	4,653	23,165	0	27,818
Unreserved	659,802	229,705	47,689	937,196
<b>TOTAL FUND EQUITY</b>	<u>664,455</u>	<u>252,870</u>	<u>47,689</u>	<u>965,014</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 694,860</u>	<u>\$ 252,870</u>	<u>\$ 179,858</u>	<u>\$ 1,127,588</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**March 31, 2009**

Total fund balance – total governmental funds	\$ 965,014
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds net of related depreciation	467,363
Accumulated employee benefits not used in current period	<u>(2,963)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,429,414</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**ALL GOVERNMENTAL FUNDS TYPES**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**Year ended March 31, 2009**

	<u>General</u>	<u>Fire Protection</u>	<u>Township Improvement</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
General property taxes	\$ 377,731	\$ 181,573	\$ 0	\$ 559,304
State shared revenues and grants	144,073	0	0	144,073
Charges for services	45,400	0	0	45,400
Licenses and permits	1,985	0	0	1,985
Interest and rentals	8,420	4,420	5,470	18,310
Sale of property	19,100	0	0	19,100
Refunds and reimbursements	3,397	0	0	3,397
Other	10	0	0	10
<b>TOTAL REVENUES</b>	<u>600,116</u>	<u>185,993</u>	<u>5,470</u>	<u>791,579</u>
<b>EXPENDITURES</b>				
Legislative	26,071	175	0	26,246
General government	225,144	0	20,000	245,144
Public safety	0	136,436	0	136,436
Public works	164,792	0	147,549	312,341
Parks and recreation	7,379	0	0	7,379
Community betterment	3,070	0	0	3,070
Insurance	42,984	0	0	42,984
Capital outlay	0	0	30,000	30,000
<b>TOTAL EXPENDITURES</b>	<u>469,440</u>	<u>136,611</u>	<u>197,549</u>	<u>803,600</u>
<b>EXCESS OF REVENUES OVER (OVER) EXPENDITURES</b>	<u>130,676</u>	<u>49,382</u>	<u>(192,079)</u>	<u>(12,021)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	0	0	200,000	200,000
Transfers to other funds	(200,000)	(8,000)	0	(208,000)
<b>EXCESS OF REVENUES AND OTHER FINANCING USES OVER EXPENDITURES</b>	<u>(69,324)</u>	<u>41,382</u>	<u>7,921</u>	<u>(20,021)</u>
Fund balance – beginning	<u>733,779</u>	<u>211,488</u>	<u>39,768</u>	<u>985,035</u>
Fund balance – ending	<u>\$ 664,455</u>	<u>\$ 252,870</u>	<u>\$ 47,689</u>	<u>\$ 965,014</u>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**RECONCILIATION OF STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year ended March 31, 2009**

Net change in fund balance – total governmental funds	\$ (20,021)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures, in the Statement of Activities these costs are allocated over their estimated useful life and reported as depreciation	6,322
Increases in accumulated employee vacation are recorded when earned in the Statement of Activities	<u>(81)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (13,780)</u></u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF NET ASSETS**  
**BUSINESS TYPE FUNDS**  
**March 31, 2009**

	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and equivalents	\$ 41,281	\$ 183,206	\$ 224,487
Accounts receivable	12,038	34,468	46,506
Due from other funds	0	258	258
Inventory	0	2,553	2,553
<b>TOTAL CURRENT ASSETS</b>	<u>53,319</u>	<u>220,485</u>	<u>273,804</u>
Restricted Assets	<u>2,550</u>	<u>173,255</u>	<u>175,805</u>
Property, Plant and Equipment:			
Utility plant and equipment	228,199	7,794,537	8,022,736
Less accumulated depreciation	(83,206)	(1,053,953)	(1,137,159)
<b>TOTAL PROPERTY, PLANT EQUIPMENT</b>	<u>144,993</u>	<u>6,740,584</u>	<u>6,885,577</u>
Other Assets – Deferred bond costs	<u>0</u>	<u>6,822</u>	<u>6,822</u>
<b>TOTAL ASSETS</b>	<u>\$ 200,862</u>	<u>\$ 7,141,146</u>	<u>\$ 7,342,008</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 15,800	\$ 20,075	\$ 35,875
Accrued salaries and wages	864	2,496	3,360
Payroll withholdings and accrued taxes	66	191	257
Due to other funds	0	177	177
Customer security deposits	2,720	21,300	24,020
Interest payable	0	65,268	65,268
Current portion of long term debt	0	45,000	45,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>19,450</u>	<u>154,507</u>	<u>173,957</u>
Long Term Liabilities	<u>0</u>	<u>3,635,000</u>	<u>3,635,000</u>
<b>TOTAL LIABILITIES</b>	<u>19,450</u>	<u>3,789,507</u>	<u>3,808,957</u>
<b>NET ASSETS</b>			
Invested in capital assets – net of related debt	144,993	3,060,584	3,205,577
Restricted for debt service	0	145,483	145,483
Restricted for future construction & improve.	0	7,160	7,160
Unrestricted	<u>36,419</u>	<u>138,412</u>	<u>174,831</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 181,412</u>	<u>\$ 3,351,639</u>	<u>\$ 3,533,051</u>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF REVENUES, AND CHANGES IN NET ASSETS**  
**BUSINESS TYPE FUNDS**  
**Year ended March 31, 2009**

	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
User charges	\$ 127,204	\$ 412,082	\$ 539,286
Other	0	2,258	2,258
<b>TOTAL OPERATING REVENUES</b>	<u>127,204</u>	<u>414,340</u>	<u>541,544</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	14,941	56,551	71,492
Payroll taxes	1,163	4,388	5,551
Employee benefits	7,958	21,541	29,499
Supplies	901	22,126	23,027
Purchased utilities for resale	77,571	0	77,571
Contracted services	3,433	32,945	36,378
Utilities	3,285	22,985	26,270
Dues and subscriptions	0	71	71
Travel	0	987	987
Depreciation	5,120	155,759	160,879
Other	33	0	33
<b>TOTAL OPERATING EXPENSES</b>	<u>114,405</u>	<u>317,353</u>	<u>431,758</u>
<b>OPERATING INCOME (LOSS)</b>	<u>12,799</u>	<u>96,987</u>	<u>109,786</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>			
Interest income	0	5,547	5,547
Transfer from other funds	0	8,000	8,000
Federal grant received	0	1,070,240	1,070,240
Interest expense	0	(154,567)	(154,567)
<b>TOTAL NON-OPERATING INCOME (EXPENSE)</b>	<u>0</u>	<u>929,220</u>	<u>929,220</u>
<b>NET INCOME (LOSS)</b>	<u>12,799</u>	<u>1,026,207</u>	<u>1,039,006</u>
Net assets – beginning	<u>168,613</u>	<u>2,325,432</u>	<u>2,494,045</u>
Net assets – ending	<u>\$ 181,412</u>	<u>\$ 3,351,639</u>	<u>\$ 3,533,051</u>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS TYPE FUNDS**  
**Year ended March 31, 2009**

	<u>Sewer Utility</u>	<u>Water Utility</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 127,500	\$ 417,350	\$ 544,850
Payments to suppliers	(83,036)	(66,728)	(149,764)
Payments to or on behalf of employees	(23,860)	(81,099)	(104,959)
 TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	 <u>20,604</u>	 <u>269,523</u>	 <u>290,127</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Loan from (to) other funds	0	23,919	23,919
Transfer from other funds-hydrant rental	0	8,000	8,000
 TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	 <u>0</u>	 <u>31,919</u>	 <u>31,919</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on capital debt	0	(44,000)	(44,000)
Interest paid on revenue bonds	0	(154,729)	(154,729)
Federal grant received	0	1,285,700	1,285,700
Purchases of capital assets	0	(1,401,076)	(1,401,076)
Funding of restricted accounts	(800)	(25,533)	(26,333)
 TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>(800)</u>	 <u>(339,638)</u>	 <u>(340,438)</u>
<b>CASH FLOWS FORM INVESTING ACTIVITIES</b>			
Interest earned	0	5,547	5,547
 NET INCREASE (DECREASE) IN CASH	 19,804	 (32,649)	 (12,845)
Cash and equivalents – beginning	<u>21,477</u>	<u>215,855</u>	<u>237,332</u>
Cash and equivalents – ending	<u>\$ 41,281</u>	<u>\$ 183,206</u>	<u>\$ 224,487</u>

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS TYPE FUNDS**  
**(CONTINUED)**  
**Year ended March 31, 2009**

	<b>Sewer Utility</b>	<b>Water Utility</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 12,799	\$ 96,987	\$ 109,786
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	5,120	155,759	160,879
Change in Assets and Liabilities:			
Receivables – net	(184)	(3,790)	(3,974)
Inventory	0	1,860	1,860
Accounts payable	2,187	10,526	12,713
Accrued salaries and wages	188	1,284	1,472
Payroll withholding and accrued taxes	14	97	111
Customer security deposits	480	6,800	7,280
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 20,604</b>	<b>\$ 269,523</b>	<b>\$ 290,127</b>

Note to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUND**  
**March 31, 2009**

**ASSETS**

Cash and equivalents	\$ 94,777
Due from other governmental units	<u>0</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 94,777</u></u></b>

**LIABILITIES AND FUND EQUITY**

Liabilities:	
Due to other funds	\$ 23,057
Due to other governmental units	71,683
Due to taxpayers	<u>37</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$ 94,777</u></u></b>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**FIDUCIARY FUNDS – AGENCY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**Year ended March 31, 2009**

	<u>Balance 03/31/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/09</u>
<b>ASSETS</b>				
Cash and equivalents	\$ 94,875	\$ 1,153,526	\$ 1,153,624	\$ 94,777
Due from other governmental units	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 94,875</u>	<u>\$ 1,153,526</u>	<u>\$ 1,153,624</u>	<u>\$ 94,777</u>
<b>LIABILITIES</b>				
Due to other funds	\$ 22,087	\$ 543,350	\$ 542,380	\$ 23,057
Due to other governmental units	72,751	605,316	606,384	71,683
Due to taxpayers	<u>37</u>	<u>4,860</u>	<u>4,860</u>	<u>37</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 94,875</u>	<u>\$ 1,153,526</u>	<u>\$ 1,153,624</u>	<u>\$ 94,777</u>

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Crystal Falls (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**Reporting Entity**

The Township is governed by an elected five member board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended.

**JOINTLY GOVERNED ORGANIZATIONS**

Crystal Falls Fire Authority

The Township of Crystal Falls and City of Crystal Falls participate jointly in the operation of the Crystal Falls Fire Authority. All of the financial operations of the Authority are recorded in a separate set of financial records and are available at the Fire Department Offices located in the Crystal Falls City Hall.

The funding formula approved by the members of the Local Units is split 50/50 between the City of Crystal Falls and the Township. The Township's contribution to the Fire Authority for the audit period was \$136,436.

**Government-Wide and Fund Financial Statements**

The government-wide statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes levied on December 1 are payable in one installment by the 15<sup>th</sup> day of February of the ensuing year without penalty. The Township bills and collects its own property taxes and also taxes for Iron County and the Crystal Falls Community District Library. Collections and remittances of county and library taxes are accounted for in the Tax Collection Fund. Township real property taxes are recognized when levied and personal taxes are recognized when received.

The Township actually assessed 4.1422 mills for operations and 1.9924 mills for fire protection. The millage generated net tax collections of \$364,859 that is recorded in the General Fund and \$175,441 in the Fire Protection Fund.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection Fund accounts for the tax collections restricted for fire protection and pays primarily the quarterly commitments to the Crystal Falls Fire Authority.

The Township Improvement Fund accounts for transfers primarily from the General Fund and expends funds for designated non-utility capital projects.

The Township reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.

The Sewer Fund accounts for the activities of the sewer collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for sales and services. The utility funds also

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINEUD)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

recognizes the portion of the fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and debt costs associated with financing upgrades to the utility systems. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of six months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “due to/from other funds”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on February 28<sup>th</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – The revenue bonds of the enterprise funds require amounts to be set aside for utility system improvements, debt service principal and interest and a bond reserve. These amounts have been classified as restricted assets. In addition, the deposits placed on account by utility customers are also classified as restricted.

Capital Assets – Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

The Township has elected not to report its infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a “tier three” entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 - 60 years
Building Improvements	15 - 30 years
Water and Sewer Lines	40 - 60 years
Other Infrastructure	10 - 40 years
Vehicles	3 - 5 years
Office Equipment	5 - 7 years
Computer Equipment	3 - 7 years

Compensated Absences (Vacation, Personal and Sick Leave) – It is the Township’s policy to permit employees to accumulate earned but unused compensatory benefits. The Township does not have a determinable liability for unpaid accumulated sick leave since the Township has a policy not to pay any portion of the accumulated benefits to employees upon separation from service. All compensatory leave pay is accrued when incurred in the proprietary fund financial statements. A liability for this amount is reported in governmental funds only for employee terminations as of year-end as the use of current financial resources to satisfy the debt has not been determined.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as Other Financing Sources. Premiums received on debt issuances are reported as Other Financing Sources while discounts are reported as Other Financing Uses. Issuance costs are reported as debt service expenditures.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE B – CASH AND INVESTMENTS**

MCL 129.91 authorizes the Township to deposit and invest in the accounts of Federal insured banks, credit unions, savings and loan associations; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks and one investment organizations for the deposit of Township funds. The investments policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized only a portion of the investments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported on the basic financial statements in the following categories:

Bank deposits (demand and times deposits)	\$ 1,114,884
Investment house deposits	<u>242,005</u>
<b>TOTAL (includes trust and agency funds)</b>	<b><u>\$ 1,356,889</u></b>

The federal insured bank balance of the Township's deposits is \$697,000.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

Items classified as investments on these financial statements consist solely of Certificates of Deposit with an original maturity date of more than 90 days from the date of acquisition. The investment totals are included in the deposit totals listed above.

**NOTE C – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

Included in the “Required Supplemental Information” section of this report is a listing of revenues and expenditures for the budgetary funds. The schedules reflect the original budget, amended budget and actual amounts for each of the fund’s activities. Some unfavorable variances occurred during the year primarily due to year end accruals and reclassifications.

**NOTE D – ACCUMULATED DEFICITS**

The Township has an accumulated fund balance/retained earnings deficits in its Sewer Fund. To be in compliance with Public Act 275 of 1980, as amended, the Township must formulate and file a deficit elimination plan. While the deficit still exists, revenues exceeded expenses during the year.

**NOTE E – INTERFUND TRANSFERS**

The following interfund transfer was recorded during the year and is reflected in the financial statements.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Township Improvement	\$ 200,000
Fire	Water	8,000

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE F – INTERFUND RECEIVABLE AND PAYABLE**

The March 31, 2009, balances of interfund receivables and payables are as follows:

<u>Due From</u>	<u>Due to</u>	<u>Amount</u>
Improvement	General	\$ 132,169
Water	General	177
Tax Collection	General	19,653
General	Fire Protection	14,611
Tax Collection	Fire Protection	3,146
Tax Collection	Water utility	258

**NOTE G – TOWNSHIP IMPROVEMENT FUND**

Pursuant to a resolution of the Township Board, this fund was established to accumulate financial resources to be used for Township capital improvement and capital outlay type expenses.

The fund was initiated with a transfer from the General Fund. As mandated by law, such transfers are limited to two mills per year/five mills in total of the state equalized valuation of the real and personal property in the Township. Further, all interest earned on investments of the fund becomes part of the fund.

If deemed necessary for the operations of the Township, the Board at its discretion may transfer monies back to the General Fund.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE H – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the Township for the year ended March 31, 2008 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
<b>Governmental Funds:</b>				
Assets not depreciated-Land	\$ 55,994	\$ 0	\$ 0	\$ 55,994
Assets depreciated:				
Buildings	613,923	0	0	613,923
Equipment	143,645	30,000	0	173,645
Total at Historic Cost	<u>813,562</u>	<u>\$ 30,000</u>	<u>\$ 0</u>	<u>843,562</u>
Less Accumulated Depreciation for:				
Buildings	(305,312)	\$ (8,788)	\$ 0	(314,100)
Equipment	(47,208)	(14,891)	0	(62,099)
Total Accumulated Depreciation	<u>(352,520)</u>	<u>\$ (23,679)</u>	<u>\$ 0</u>	<u>(376,199)</u>
Net Governmental Funds-Capital Assets	<u>\$ 461,042</u>			<u>\$ 467,363</u>
<b>Business Type Funds:</b>				
Assets not depreciated - Land	\$ 0	\$ 30,000	\$ 0	\$ 30,000
Assets depreciated:				
Sewer utility system	228,199	0	0	228,199
Water utility system	6,608,920	1,155,617	0	7,764,537
Total at Historic Cost	<u>6,837,119</u>	<u>\$ 1,185,617</u>	<u>\$ 0</u>	<u>8,022,736</u>
Less Accumulated Depreciation for:				
Sewer utility system	(78,086)	\$ (5,120)	\$ 0	(83,206)
Water utility system	(898,193)	(155,760)	0	(1,053,953)
Total Accumulated Depreciation	<u>(976,279)</u>	<u>\$ (160,880)</u>	<u>\$ 0</u>	<u>(1,137,159)</u>
Net Business Type Funds-Capital Asset	<u>\$ 5,860,840</u>			<u>\$ 6,885,577</u>

**NOTE I – DEFERRED COMPENSATION PLAN**

The Township has established a deferred compensation plan under Internal Revenue Code Section 457. The plan, available to all regular Township employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

The Township does not have significant administrative involvement for the assets of the deferred compensation plan and each employee is electing investments for themselves.

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE I – DEFERRED COMPENSATION PLAN (CONTINUED)**

The Township accounts for and reports its deferred compensation plan under provisions of both GASB Statements No. 32 “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans” and GASB Statement No. 34, “Basis Financial Statements and Management’s Discussion and Analysis for State and Local Governments”.

GASB Statement No. 32 rescinded GASB Statement No. 2 and established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. The laws governing these plans were changed to state that as of August 20, 1996, new plans would not be considered eligible unless all assets and income of the plan are held in trust or covered by annuity contract for the exclusive benefits of the participants and their beneficiaries. The Township’s plan meets this requirement.

GASB Statement No. 34 amended GASB Statement No. 32 Paragraph 4, and the Township’s deferred compensation plan assets and liabilities are not reported in the Township’s financial statements.

The Township’s contribution was \$4,576 during the year.

**NOTE J – PROPRIETARY FUND DEBT – WATER FUND**

**WATER SUPPLY SYSTEM REVENUE AND REVENUE REFUNDING BONDS – SERIES 1987**

\$220,000 – In July of 1993, the Township refinanced its then outstanding Water Supply System Revenue Bonds – Series 1987 by entering into a “Savings Agreement” with the Michigan Municipal Bond Authority pursuant to the Authorities Local Government Refunding Revenue Bond Program. Through a reduction in the coupon interest rates, the refinancing effectively saved the Township \$49,925 in bond interest. Refinancing charges totaling \$15,318 were deferred and are being amortized on a straight line basis over the remaining life of the bonds.

The cumulative debt service is below:

Payable Fiscal Year	May 1	November 1		Total
	Interest	Interest	Principal	
2009-2010	\$ 5,000	\$ 1,823	\$ 10,000	\$ 16,823
2010-2011	4,600	1,658	10,000	16,258
2011-2012	4,200	1,493	10,000	15,693
2012-2013	3,800	1,328	10,000	15,128
2013-2014	3,400	1,018	15,000	19,418
2014-2018	7,400	1,150	70,000	78,550
<b>TOTALS</b>	<b>\$ 28,400</b>	<b>\$ 8,470</b>	<b>\$ 125,000</b>	<b>\$ 161,870</b>

**TOWNSHIP OF CRYSTAL FALLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2009**

**NOTE J – CHANGES IN LONG TERM DEBT (CONTINUED)**

**WATER SUPPLY SYSTEM REVENUE BONDS – SERIES 2007**

The Township issued \$3,589,000 of limited revenue bonds on May 17, 2007, for the updating and enlargement of the water supply and distribution system. Payment of the bonds began in 2008 and run to 2048, with interest rates of 4.125%. The entire bond issue was purchased by the Rural Development Agency of the United States Department of Agriculture.

The cumulative debt service schedule is below:

Payable Fiscal Year	May 1		November 1		Total
	Interest	Principal	Interest		
2009-2010	\$ 73,322	\$ 35,000	\$ 72,600	\$ 180,922	
2010-2011	72,600	37,000	71,837	181,437	
2011-2012	71,837	38,000	71,053	180,890	
2012-2013	71,053	40,000	70,228	181,281	
2013-2014	70,228	42,000	69,362	181,590	
2014-2019	337,322	240,000	332,372	909,694	
2019-2024	310,241	299,000	304,074	913,315	
2024-2029	276,561	372,000	268,888	917,449	
2029-2034	234,506	465,000	224,916	924,422	
2034-2039	182,118	578,000	170,198	930,316	
2039-2044	116,841	721,000	101,970	939,811	
2044-2048	35,867	688,000	21,677	745,544	
<b>TOTALS</b>	<b>\$1,852,496</b>	<b>\$ 3,555,000</b>	<b>\$ 1,779,175</b>	<b>\$ 7,186,671</b>	

	Beginning Balance	Newly Issued	Retired	Ending Balance	Due within One Year
Water Supply Revenue Bonds	\$ 3,724,000	\$ 0	\$ (44,000)	\$ 3,680,000	\$ 45,000

**NOTE K – RISK MANAGEMENT**

The Township of Crystal Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township of Crystal Falls maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

**TOWNSHIP OF CRYSTAL FALLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year ended March 31, 2009**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 733,779	\$ 733,779	\$ 733,779	\$ 0
Resources (Inflows):				
Property taxes	347,000	372,700	377,731	5,031
State shared revenues and grants	148,200	148,200	144,073	(4,127)
Licenses and permits	2,200	2,200	1,985	(215)
Charges for services	38,025	45,000	45,400	400
Interest and rentals	12,400	4,600	8,420	3,820
Sale of property	0	19,100	19,100	0
Refunds and reimbursements	4,600	4,600	3,397	(1,203)
Other	0	0	10	10
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<u>1,286,204</u>	<u>1,330,179</u>	<u>1,333,895</u>	<u>3,716</u>
Charges to Appropriations(Outflows)				
Legislative				
Trustees	25,212	25,700	26,071	(371)
General Government				
Supervisor	17,080	22,500	22,383	117
Elections	3,250	3,250	2,925	325
Clerk	32,060	35,500	35,140	360
Assessor	17,400	25,800	24,934	866
Audit/attorney	24,800	30,200	30,650	(450)
Board of review	800	800	768	32
Treasurer	17,995	23,899	23,836	63
Buildings and property	35,079	44,800	44,421	379
Cemetery	15,620	15,620	21,183	(5,563)
Zoning	16,365	19,800	18,904	896
Public Works				
Maintenance	91,679	91,679	86,510	5,169
Sanitation	91,176	86,000	78,282	7,718
Parks and Recreation				
Gibson Lake park	7,052	5,700	5,502	198
Other	4,052	2,300	1,877	423
Community betterment	4,500	2,900	3,070	(170)
Insurance	35,507	30,950	42,984	(12,034)
Transfers to other funds	260,000	200,000	200,000	0
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u>699,627</u>	<u>667,398</u>	<u>669,440</u>	<u>(2,042)</u>
<b>BUDGETARY FUND BALANCE- ENDING</b>	<u>\$ 586,577</u>	<u>\$ 662,781</u>	<u>\$ 664,455</u>	<u>\$ 1,674</u>

**TOWNSHIP OF CRYSTAL FALLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**FIRE PROTECTION FUND**  
**Year ended March 31, 2009**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 211,488	\$ 211,488	\$ 211,488	\$ 0
Resources (Inflows):				
Property taxes	138,000	177,700	181,573	3,873
Interest earned	0	4,700	4,420	(280)
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<u>349,488</u>	<u>393,888</u>	<u>397,481</u>	<u>3,593</u>
Charges to Appropriations(Outflows)				
Public safety - fire	134,000	166,000	136,436	29,564
Administration	0	250	175	75
Transfers to other funds-hydrant rental	8,000	8,000	8,000	
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u>142,000</u>	<u>174,250</u>	<u>144,611</u>	<u>29,639</u>
<b>BUDGETARY FUND BALANCE- ENDING</b>	<u>\$ 207,488</u>	<u>\$ 219,638</u>	<u>\$ 252,870</u>	<u>\$ 33,232</u>

**TOWNSHIP OF CRYSTAL FALLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**TOWNSHIP IMPROVEMENT FUND**  
**Year ended March 31, 2009**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 39,768	\$ 39,768	\$ 39,768	\$ 0
Resources (Inflows):				
Interest earned	4,000	4,500	5,470	970
Equipment/land sales	36,000	0	0	0
Transfer from other funds	260,000	200,000	200,000	0
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<u>339,768</u>	<u>244,268</u>	<u>245,238</u>	<u>970</u>
Charges to Appropriations(Outflows)				
Public Works				
Maintenance	150,000	154,500	147,549	6,951
Land purchase option	20,000	20,000	20,000	0
Capital outlay	125,500	30,000	30,000	0
<b>TOTAL CHARGES TO APPROPRIATIONS</b>	<u>295,500</u>	<u>204,500</u>	<u>197,549</u>	<u>6,951</u>
<b>BUDGETARY FUND BALANCE- ENDING</b>	<u>\$ 44,268</u>	<u>\$ 39,768</u>	<u>\$ 47,689</u>	<u>\$ 7,921</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF CRYSTAL FALLS**  
**BALANCE SHEET**  
**WATER SUPPLY SYSTEM FUND**  
**March 31, 2009 and 2008**

	2009	2008
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 183,206	\$ 215,855
Accounts receivable	34,468	30,678
Grant receivable	0	215,460
Due from other funds	258	24,000
Inventory	2,553	4,413
TOTAL CURRENT ASSETS	220,485	490,406
Restricted Assets:		
Bond interest and redemption	111,048	110,701
Bond reserve	34,435	14,625
Repairs, replacement and improvement	7,160	8,663
Customer security deposits	20,612	13,733
TOTAL RESTRICTED ASSETS	173,255	147,722
Property and Equipment:		
Property and equipment	7,794,537	6,608,920
Less accumulated depreciation	(1,053,953)	(898,193)
NET PROPERTY AND EQUIPMENT	6,740,584	5,710,727
Other Assets – Deferred bond costs – net	6,822	7,575
TOTAL ASSETS	\$ 7,141,146	\$ 6,356,430

**TOWNSHIP OF CRYSTAL FALLS**  
**BALANCE SHEET**  
**(CONTINUED)**  
**WATER SUPPLY SYSTEM FUND**  
**March 31, 2009 and 2008**

	2009	2008
<b>LIABILITIES AND FUND EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 20,075	\$ 225,009
Accrued salaries and wages	2,496	1,212
Payroll withholdings and accrued taxes	191	94
Due from other funds	177	
Customer security deposits	21,300	14,500
Accrued interest	65,268	66,183
Current portion of long-term debt	45,000	44,000
TOTAL CURRENT LIABILITIES	154,507	350,998
Long-Term Debt:		
Revenue bonds	3,680,000	3,724,000
Less current portion included above	(45,000)	(44,000)
TOTAL LONG-TERM DEBT	3,635,000	3,680,000
TOTAL LIABILITIES	3,789,507	4,030,998
Fund Equity:		
Contributed capital:		
Federal (net of amortization)	2,582,767	1,560,500
Township	593,843	593,843
TOTAL CONTRIBUTED CAPITAL	3,176,610	2,154,343
Retained earnings:		
Reserved	162,088	11,988
Unreserved – undesignated	12,941	159,101
TOTAL RETAINED EARNINGS	175,029	171,089
TOTAL FUND EQUITY	3,351,639	2,325,432
TOTAL LIABILITIES AND FUND EQUITY	\$ 7,141,146	\$ 6,356,430

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS**  
**WATER SUPPLY SYSTEM FUND**  
**Years ended March 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Customer sales	\$ 412,082	\$ 293,066	\$ 119,016
State grants	2,000	20,000	(18,000)
Water taps and other services	258	258	0
<b>TOTAL OPERATING REVENUES</b>	<u>414,340</u>	<u>313,324</u>	<u>101,016</u>
<b>OPERATING EXPENSES</b>			
Wages	56,551	57,090	539
Payroll taxes	4,388	4,457	69
Employee benefits	21,541	31,922	10,381
Supplies	22,126	28,673	6,547
Purchased services	32,945	51,348	18,403
Dues and subscriptions	71	67	(4)
Travel	987	275	(712)
Printing and publishing	0	0	0
Utilities	22,985	34,488	11,503
Depreciation	155,759	89,507	(66,252)
<b>TOTAL OPERATING EXPENSES</b>	<u>317,353</u>	<u>297,827</u>	<u>(19,526)</u>
 <b>OPERATING INCOME</b>	 <u>96,987</u>	 <u>15,497</u>	 <u>81,490</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>			
Interest income	5,547	9,373	(3,826)
Transfer from other funds	8,000	8,000	0
Interest expense	(154,567)	(101,141)	(53,426)
<b>TOTAL NON-OPERATING REVENUE         (EXPENSE)</b>	<u>(141,020)</u>	<u>(83,768)</u>	<u>(57,252)</u>
 <b>NET INCOME</b>	 <u>(44,033)</u>	 <u>(68,271)</u>	 <u>\$ 24,238</u>
 Add depreciation of fixed assets acquired by capital grants that reduces contributed capital from grants	 47,973	 25,580	
Retained Earnings – April 1	<u>171,089</u>	<u>213,780</u>	
Retained Earnings – March 31	<u>\$ 175,029</u>	<u>\$ 171,089</u>	

**TOWNSHIP OF CRYSTAL FALLS**  
**STATEMENT OF CASH FLOWS**  
**WATER SUPPLY SYSTEM FUND**  
**Years ended March 31, 2009 and 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 417,350	\$ 318,065
Payments to suppliers	(66,728)	(112,565)
Payments to or on behalf of employees	(81,099)	(94,771)
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	269,523	110,729
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loan (repayment) from (to) other funds	23,919	(80,000)
Transfer from other funds – hydrant rental	8,000	8,000
<b>TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	31,919	(72,000)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on capital debt	(44,000)	(10,000)
Interest paid on revenue bonds	(154,729)	(39,040)
Revenues bonds issued	0	3,589,000
Federal grants received	1,285,700	1,343,400
Purchases of capital assets	(1,401,076)	(4,568,524)
Funding of restricted accounts	(25,533)	(147,269)
<b>TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(339,638)	167,567
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned	5,547	9,373
<b>NET INCREASE (DECREASE) IN CASH</b>	(32,649)	215,669
Cash and equivalents – beginning	215,855	186
Cash and equivalents – ending	\$ 183,206	\$ 215,855
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 96,987	\$ 15,497
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	155,759	89,507
Change in Assets and Liabilities		
Receivables – net	(3,790)	(9,559)
Inventory	1,860	173
Accounts payable	10,526	2,113
Accrued salaries and wages	1,284	(1,211)
Payroll withholdings and accrued taxes	97	(91)
Customer security deposits	6,800	14,300
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ 269,523	\$ 110,729

**Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Members of the Township Board  
Township of Crystal Falls  
Crystal Falls, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Crystal Falls, Michigan (Township), as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements and have issued my report thereon dated July 22, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*  
Township of Crystal Falls  
Page Two

**Internal Control Over Financial Reporting (Continued)**

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the township board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Gaudette, CPA, PC*

July 22, 2009

**Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control over Compliance  
In Accordance with OMB Circular A-133**

Members of the Township Board  
Township of Crystal Falls  
Crystal Falls, Michigan

**Compliance**

I have audited the compliance of the Township of Crystal Falls, Michigan (Township), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2009. The Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Township's management. My responsibility is to express an opinion on the Township's compliance based on my audit.

I conducted my audit of compliance in accordance with Auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Township's compliance with those requirements.

In my opinion, the Township, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2009.

### **Internal Control Over Compliance**

The management of the Township, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Township's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Township Board, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Gaudette, CPA, PC*

July 22, 2009

**TOWNSHIP OF CRYSTAL FALLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended March 31, 2009**

	CFDA NUMBER	FEDERAL/ PASS-THROUGH GRANT NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Water and Waste Disposal Systems For Rural Communities-Grant	10.760		\$ 1,096,840
TOTAL DEPARTMENT OF AGRICULTURE			1,096,840
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,096,840

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
March 31, 2009

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the Township of Crystal Falls, Michigan (Township). Federal awards received directly for federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Township's reporting entity is defined in Note 1 of the basic financial statements.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified basis of accounting, which is described in Note 1 of the Township's basic financial statements.

**TOWNSHIP OF CRYSTAL FALLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**March 31, 2009**

**SECTION I – PRIOR AUDIT FINDINGS**

None

**SECTION II – SUMMARY OF AUDITOR RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Township of Crystal Falls.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Township of Crystal Falls that were disclosed during the audit.
4. There were no reportable conditions in internal control over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Township of Crystal Falls expresses an unqualified opinion on both major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133. There were no audit findings.
7. The programs tested as major programs included:

U.S. Department of Agriculture:  
Water and Waste Disposal Systems for Rural  
Communities:  
Grant CFDA No. 10.760
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Township of Crystal Falls was determined to be a low-risk auditee.

**SECTION III – FINANCIAL STATEMENT FINDINGS**

None

**SECTION IV – FEDERAL AWARD FINDINGS**

None