

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

MARCH 31, 2013



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MARCH 31, 2013

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May 10, 2013

INDEPENDENT AUDITORS' REPORT

To the Township Board
Clam Union Township
Missaukee County
Falmouth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonable of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of March 31, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

The Management's Discussion and Analysis is intended to be the Clam Union Township Board's discussion and analysis of the financial results for the fiscal year ended March 31, 2013, along with specific comparative information.

Financial Highlights

Government-Wide:

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$744,178. Of this amount, \$190,925 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ The Township's net position increased by \$71,485 during the fiscal year.

Fund Level:

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$466,237, an increase of \$68,589 in comparison with the prior year.
- ◆ The fund balance of the Township's General Fund increased by \$24,464 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, recreation and culture, and other functions. The Township does not have any business-type activities.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Fire Fund, and Library Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statement can be found on page 7 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Position is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Position of the Township was \$744,178 at March 31, 2013, meaning the Township's assets were greater than its liabilities by this amount.

Clam Union Township
Net Position as of March 31,

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 474,406	\$ 414,530
Non Current Assets		
Capital Assets	736,503	716,043
Less: Accumulated Depreciation	<u>(458,562)</u>	<u>(440,998)</u>
Total Non Current Assets	<u>277,941</u>	<u>275,045</u>
Total Assets	<u>752,347</u>	<u>689,575</u>
Liabilities		
Current Liabilities	<u>8,169</u>	<u>16,882</u>
Net Position		
Net Investment in Capital Assets	277,941	275,045
Restricted for Specific Purposes	275,312	231,187
Unrestricted	<u>190,925</u>	<u>166,461</u>
Total Net Position	<u>\$ 744,178</u>	<u>\$ 672,693</u>

The most significant portion of the Township's Net Position is cash and net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$190,925 in unrestricted Net Position. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position for the government and as a whole.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

The total Net Position of the Township increased by \$71,485 in this fiscal year, an indicator that the Township experienced positive financial growth. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net position for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Clam Union Township
Change in Net Position
for the Fiscal Year Ended March 31,**

	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 37,430	\$ 29,102
Operating Grants and Contributions	10,219	7,600
General Revenues		
Taxes	125,485	128,342
State Grants	67,513	67,271
Investment Earnings	215	100
Other	32,609	663
Total Revenues	<u>273,471</u>	<u>233,078</u>
<u>Expenses</u>		
General Government	107,087	84,998
Public Safety	31,645	30,467
Public Works	25,684	8,112
Recreational and Cultural	17,006	25,519
Other Functions	20,564	19,140
Total Expenses	<u>201,986</u>	<u>168,236</u>
Change in Net Position	71,485	64,842
<u>NET POSITION</u> - Beginning of Year	<u>672,693</u>	<u>607,851</u>
<u>NET POSITION</u> - End of Year	<u>\$ 744,178</u>	<u>\$ 672,693</u>

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Governmental Activities

During the fiscal year ended March 31, 2013, the Township's net position increased by \$71,485 in the governmental funds. The Township is required to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Clam Union Township comes from property taxes. The Township levied 1.4494 mills for operating purposes, 1.0000 mill for road maintenance, 1.0000 mill for fire protection, and 0.2612 mill for the library.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general government expenses. The Township spent \$107,087 in fiscal year 2012-2013 on General Government expenses. Public safety represented the next largest expense at \$31,645.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Clam Union Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Union Township's governmental funds reported combined ending fund balances of \$466,237. \$149,544 constitutes unassigned fund balance. The remainder of the fund balance is restricted or assigned for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is restricted for road improvements must be used for expenditures that relate to road improvements.

General Fund – The General Fund increased its fund balance by \$24,464 which brings the fund balance to \$190,925, of which \$149,544 was unassigned. \$4,106 was assigned for the purchase of fireworks and \$37,275 is assigned for the 2013-2014 budget shortfall. Taxes amounted to \$55,896. State grant revenues were collected in the amount of \$70,901. The reason for the increase in fund balance is due to an increase in various revenues and the Township's desire to keep expenditures within the budget.

Road Fund – The Road Fund increased its fund balance by \$10,980 which brings the fund balance to \$133,484. This balance is restricted and must be used for road improvements. Property taxes collected amounted to \$30,818. Infrastructure improvements amounted to \$19,838.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Fire Fund – The Fire Fund increased its fund balance by \$22,702 which brings the fund balance to \$129,097. This balance is restricted and must be used for fire protection and fire equipment. Property taxes collected amounted to \$30,813 and contributions from local units amounted to \$22,895. These revenues exceeded operating costs of the fire fund, therefore, increasing fund balance.

Library Fund – The Library Fund increased its fund balance by \$10,443 which brings the fund balance to \$12,731. This balance is restricted and must be used for library expenditures. Property taxes collected amounted to \$7,958 while penal fines amounted to \$2,725. The reason for the increase in fund balance was the Library used to pay rent to the Community Center, but during the fiscal year, the Township took over control of the Community Center and no longer requires rent to be paid.

General Fund Budgetary Highlights

During the year, the Township amended its general fund budget once. A detailed summary of the original and amended budget can be found on page 18 of this report.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 125,600</u>	<u>\$ 125,600</u>	<u>\$ 169,853</u>
Total Expenditures	<u>\$ 162,875</u>	<u>\$ 175,875</u>	<u>\$ 145,389</u>

The Township budgets for a worse-case scenario and strives to keep actual expenditures within the budget. For the most part, the Township was successful in that regard during 2012-2013. The amount of state shared revenue the township received was significantly higher than the amount budgeted for. The Township also received franchise fees and an insurance reimbursement that were not budgeted for.

Capital Assets and Debt Administration

Capital Assets The Township's investment in capital assets for governmental activities as of March 31, 2013, amounted to \$277,941 net of accumulated depreciation.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Clam Union Township
Capital Assets as of March 31,

	<u>2013</u>	<u>2012</u>
Land and Land Improvements	\$ 69,727	\$ 69,727
Buildings and Building Improvements	260,403	239,943
Infrastructure	116,915	116,915
Machinery and Equipment	<u>289,458</u>	<u>289,458</u>
	736,503	716,043
Less Accumulated Depreciation	<u>458,562</u>	<u>440,998</u>
Net Capital Assets	<u>\$ 277,941</u>	<u>\$ 275,045</u>

Economic Condition and Outlook

It appears that state shared revenues have stabilized. The Township continues to look for ways to improve the services it provides to its resident in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the 2013-2014 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Union Township at P.O. Box 28, Falmouth, Michigan 49632.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 430,600
Taxes Receivable	529
Due from External Parties (Fiduciary Fund)	1,259
Due from Other Governments	42,018
	<hr/>
Total Current Assets	474,406
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	69,727
Buildings and Building Improvements	260,403
Infrastructure	116,915
Machinery and Equipment	289,458
	<hr/>
	736,503
Less Accumulated Depreciation	458,562
Net Capital Assets	277,941
	<hr/>
TOTAL ASSETS	752,347
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	6,593
Payroll Taxes and Withholdings	1,576
	<hr/>
TOTAL LIABILITIES	8,169
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	277,941
Restricted for Road Improvements	133,484
Restricted for Fire Protection	129,097
Restricted for Library	12,731
Unrestricted	190,925
	<hr/>
TOTAL NET POSITION	\$ 744,178
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The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u>
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>CAPITAL</u>	<u>REVENUE AND CHANGES</u>
		<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>	<u>IN NET POSITION</u>
			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>	<u>TOTALS</u>
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 107,087	\$ 14,535	\$ 0	\$ 0	\$ (92,552)
Public Safety	31,645	22,895	0	0	(8,750)
Public Works	25,684	0	3,388	0	(22,296)
Recreation and Cultural	17,006	0	6,831	0	(10,175)
Other Functions	20,564	0	0	0	(20,564)
Total Governmental Activities	\$ 201,986	\$ 37,430	\$ 10,219	\$ 0	(154,337)
<u>GENERAL REVENUES</u>					
Taxes					125,485
State Grants					67,513
Investment Earnings					215
Other					32,609
Total General Revenues					<u>225,822</u>
Change in Net Position					71,485
<u>NET POSITION</u> - Beginning of Year					<u>672,693</u>
<u>NET POSITION</u> - End of Year					<u>\$ 744,178</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2013

	<u>GENERAL</u> <u>FUND</u>	<u>ROAD</u> <u>FUND</u>	<u>FIRE</u> <u>FUND</u>	<u>LIBRARY</u> <u>FUND</u>	<u>TOTALS</u>
<u>ASSETS</u>					
Cash	\$ 182,841	\$ 133,484	\$ 102,073	\$ 12,202	\$ 430,600
Taxes Receivable	0	0	0	529	529
Due from Other Funds	1,259	0	0	0	1,259
Due from Other Governments	14,994	0	27,024	0	42,018
TOTAL ASSETS	\$ 199,094	\$ 133,484	\$ 129,097	\$ 12,731	\$ 474,406
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 6,593	\$ 0	\$ 0	\$ 0	\$ 6,593
Payroll Taxes and Withholdings	1,576	0	0	0	1,576
Total Liabilities	8,169	0	0	0	8,169
<u>FUND BALANCE</u>					
Restricted for:					
Road Improvements	0	133,484	0	0	133,484
Fire Protection	0	0	129,097	0	129,097
Library	0	0	0	12,731	12,731
Assigned for Fireworks	4,106	0	0	0	4,106
Assigned for 2013-2014 Budget Shortfall	37,275	0	0	0	37,275
Unassigned	149,544	0	0	0	149,544
Total Fund Balance	190,925	133,484	129,097	12,731	466,237
TOTAL LIABILITIES AND					
FUND BALANCE	\$ 199,094	\$ 133,484	\$ 129,097	\$ 12,731	\$ 474,406

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

MARCH 31, 2013

Total Fund Balances for Governmental Funds \$ 466,237

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 69,727	
Buildings and Building Improvements	260,403	
Infrastructure	116,915	
Machinery and Equipment	289,458	
Accumulated Depreciation	(458,562)	277,941
		<hr/>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 744,178

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2013

	<u>GENERAL</u> <u>FUND</u>	<u>ROAD</u> <u>FUND</u>	<u>FIRE</u> <u>FUND</u>	<u>LIBRARY</u> <u>FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>					
Taxes	\$ 55,896	\$ 30,818	\$ 30,813	\$ 7,958	\$ 125,485
Licenses and Permits	2,577	0	0	0	2,577
State Grants	70,901	0	0	2,725	73,626
Contributions from Local Units	0	0	22,895	0	22,895
Charges for Services	3,988	0	0	0	3,988
Interest and Rents	8,176	0	0	9	8,185
Other Revenue	28,315	0	0	8,400	36,715
Total Revenues	169,853	30,818	53,708	19,092	273,471
<u>EXPENDITURES</u>					
General Government	116,468	0	0	0	116,468
Public Safety	0	0	31,006	0	31,006
Public Works	0	19,838	0	0	19,838
Recreation and Cultural	8,357	0	0	8,649	17,006
Other Functions	20,564	0	0	0	20,564
Total Expenditures	145,389	19,838	31,006	8,649	204,882
Excess (Deficiency) of Revenues Over Expenditures	24,464	10,980	22,702	10,443	68,589
<u>FUND BALANCE</u> - Beginning of Year	166,461	122,504	106,395	2,288	397,648
<u>FUND BALANCE</u> - End of Year	\$ 190,925	\$ 133,484	\$ 129,097	\$ 12,731	\$ 466,237

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

MARCH 31, 2013

Net Change in Fund Balance - Total Governmental Funds \$ 68,589

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	\$ 20,460	
Depreciation Expense	(17,564)	2,896

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 71,485

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2013

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 1,259
 <u>LIABILITIES</u>	
Due to Other Funds	<u>1,259</u>
 <u>NET POSITION</u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clam Union Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are 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 is 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 revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues when 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
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NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Licenses, interest and other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

Clam Union Township reports the following major governmental funds:

The *General Fund* is the government'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 *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Library Fund* accounts for revenue sources that are legally restricted to expenditures for the Library.

Additionally Clam Union Township reports the following fund types:

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from 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 revenues rather than as program revenues. Likewise, general revenues include all taxes.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
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When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- (I) The Township authorized the Township Treasurer to invest funds as follows:
- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
 - (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
 - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
 - (e) In bankers' acceptances of United States banks.
 - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
 - (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
 - (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
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- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations.

The 2012 taxable valuation of Clam Union Township totaled \$30,386,395, on which ad valorem taxes levied consisted of 1.4494 mills for Clam Union Township operating purposes, 1.0000 mill for road maintenance, 1.0000 mill for fire protection, and 0.2612 mill for the library. The levies raised \$44,036 for operating purposes, \$30,383 for road maintenance, \$30,383 for fire protection, and \$7,932 for the library.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Public Domain Infrastructure	20
Vehicles	5
Equipment	5-10

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category as of March 31, 2013.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any items that qualify for reporting in this category as of March 31, 2013.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

As stated in Note 1C above, restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

9. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of “The Uniform Budgeting and Accounting Act”. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 14, 2012, or as amended from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures. Encumbrance accounting is not employed in governmental funds.

B. Funds with Expenditures in Excess of Appropriations were as Follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Buildings and Grounds	\$ 38,700	\$ 40,301

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township’s deposits are on deposit with Citizens Bank and Fifth Third Bank.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of March 31, 2013, \$11,683 of the government’s bank balance of \$435,545 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the township’s investment policy does not specifically address custodial credit risk, it typically limits its exposure by controlling who holds the Township’s deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
Receivables				
Taxes	\$ 0	\$ 0	\$ 529	\$ 529
Due from Other Governments	14,994	27,024	0	42,018
	<hr/>			
Total	\$ 14,994	\$ 27,024	\$ 529	\$ 42,547

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,500	\$ 0	\$ 0	\$ 16,500
<hr/>				
Capital assets, being depreciated				
Buildings and Building Improvements	239,943	20,460	0	260,403
Land Improvements	53,227	0	0	53,227
Infrastructure	116,915	0	0	116,915
Machinery and Equipment	289,458	0	0	289,458
	<hr/>			
Total capital assets, being depreciated	699,543	20,460	0	720,003
<hr/>				
Less accumulated depreciation for:				
Buildings and Building Improvements	113,495	9,564	0	123,059
Land Improvements	21,869	976	0	22,845
Infrastructure	20,849	5,846	0	26,695
Machinery Equipment	284,785	1,178	0	285,963
	<hr/>			
Total accumulated depreciation	440,998	17,564	0	458,562
	<hr/>			
Total capital assets, being depreciated, net	258,545	2,896	0	261,441
	<hr/>			
Governmental activities capital assets, net	\$ 275,045	\$ 2,896	\$ 0	\$ 277,941

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 11,079
Public Safety	639
Public Works	5,846
Total Depreciation Expense	\$ 17,564

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2013, were:

FUND	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 1,259	\$ 0
Fiduciary Fund		
Current Tax Collection Fund	0	1,259
	\$ 1,259	\$ 1,259

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

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MARCH 31, 2013

B. Retirement Plan

The Township has a defined contribution pension plan with John Hancock which covers all elected officials, Deputy Clerk, Deputy Treasurer, and Deputy Supervisor. An employee's normal retirement date is age 65 or the 10th anniversary of the first day of the plan year in which participation in the plan is commenced.

Township contributions to the plan for 2012-2013 amounted to \$8,552, which included administration fees and asset charges. Total covered payroll amounted to \$33,100 and total wages including non-covered payroll was \$73,827.

C. Property Tax Administration Fee

The Township passed a resolution on September 17, 2012, to charge 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. New GASB Standards

Effective April 1, 2012 the Township adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the statement of position, "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At March 31, 2013, the Township did not have items that fit the criteria for deferred outflows of resources or deferred inflows of resources. GASB 63 also changes the term "net assets", which was previously made up of assets less liabilities, to "net position", which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY
FALMOUTH, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2013

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>			<u>LIBRARY FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 56,100	\$ 56,100	\$ 55,896	\$ 27,000	\$ 27,000	\$ 30,818	\$ 28,000	\$ 28,000	\$ 30,813	\$ 7,650	\$ 7,650	\$ 7,958
Licenses and Permits	0	0	2,577	0	0	0	0	0	0	0	0	0
State Grants	60,600	60,600	70,901	0	0	0	0	0	0	1,000	1,000	2,725
Contributions from Local Units	0	0	0	0	0	0	19,500	19,500	22,895	0	0	0
Charges for Services	3,000	3,000	3,988	0	0	0	1,500	1,500	0	0	0	0
Interest and Rents	1,700	1,700	8,176	0	0	0	0	0	0	50	50	9
Other Revenues	4,200	4,200	28,315	0	0	0	0	0	0	0	0	8,400
Total Revenues	<u>125,600</u>	<u>125,600</u>	<u>169,853</u>	<u>27,000</u>	<u>27,000</u>	<u>30,818</u>	<u>49,000</u>	<u>49,000</u>	<u>53,708</u>	<u>8,700</u>	<u>8,700</u>	<u>19,092</u>
<u>EXPENDITURES</u>												
General Government												
Township Board	21,150	21,150	13,047	0	0	0	0	0	0	0	0	0
Supervisor	12,050	12,050	8,885	0	0	0	0	0	0	0	0	0
Clerk	13,600	13,600	11,985	0	0	0	0	0	0	0	0	0
Board of Review	1,650	1,650	1,065	0	0	0	0	0	0	0	0	0
Treasurer	15,350	15,350	14,641	0	0	0	0	0	0	0	0	0
Assessor	15,975	20,975	19,523	0	0	0	0	0	0	0	0	0
Elections	5,000	5,000	2,891	0	0	0	0	0	0	0	0	0
Building and Grounds	30,700	38,700	40,301	0	0	0	0	0	0	0	0	0
Cemetery	10,500	10,500	4,130	0	0	0	0	0	0	0	0	0
Public Safety												
Fire	0	0	0	0	0	0	42,350	42,350	31,006	0	0	0
Public Works												
Highways, Streets, Bridges	0	0	0	8,500	20,500	19,838	0	0	0	0	0	0
Recreation and Cultural												
Parks and Recreation	11,000	11,000	8,357	0	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0	0	12,600	12,600	8,649
Other Functions												
Insurance and Bonds	8,900	8,900	7,024	0	0	0	0	0	0	0	0	0
Employee Benefits	17,000	17,000	13,540	0	0	0	0	0	0	0	0	0
Total Expenditures	<u>162,875</u>	<u>175,875</u>	<u>145,389</u>	<u>8,500</u>	<u>20,500</u>	<u>19,838</u>	<u>42,350</u>	<u>42,350</u>	<u>31,006</u>	<u>12,600</u>	<u>12,600</u>	<u>8,649</u>
Excess (Deficiency) of Revenues Over Expenditures	(37,275)	(50,275)	24,464	18,500	6,500	10,980	6,650	6,650	22,702	(3,900)	(3,900)	10,443
<u>FUND BALANCE - Beginning of Year</u>	<u>67,500</u>	<u>67,500</u>	<u>166,461</u>	<u>169,537</u>	<u>169,537</u>	<u>122,504</u>	<u>110,540</u>	<u>110,540</u>	<u>106,395</u>	<u>4,002</u>	<u>4,002</u>	<u>2,288</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 30,225</u>	<u>\$ 17,225</u>	<u>\$ 190,925</u>	<u>\$ 188,037</u>	<u>\$ 176,037</u>	<u>\$ 133,484</u>	<u>\$ 117,190</u>	<u>\$ 117,190</u>	<u>\$ 129,097</u>	<u>\$ 102</u>	<u>\$ 102</u>	<u>\$ 12,731</u>



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

May 10, 2013

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT OR NEAR THE CONCLUSION OF THE AUDIT

To the Township Board
Clam Union Township
Missaukee County
Falmouth, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 23, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clam Union Township are described in Note I to the financial statements. Starting in 2012-2013, the Township has implemented GASB 63 and GASB 65, new standards that rename, redefine, and clarify components of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting Clam Union Township's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We detected various material misstatements as a result of our audit procedures that were corrected by management. The majority of these misstatements were a result of converting the township's records from cash to accrual basis.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 10, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about audit and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Clam Union Township for the year ended March 31, 2013, we noted the following items which we feel deserve comment:

Budgeting

We recommend that the Township properly account for transactions related to the Community Center within the General Fund budget.

Approved Bills

We noted during the course of our audit that the bills being approved at board meetings were out of sequence or there were gaps in the bills being approved. We recommend that the Township Board approve all bills and the order presented in the board minutes reflect that.

Condition of Accounting Records

The records were found to be in good condition and we appreciate the assistance the Township provided us in completing the annual audit. The condition of the records was vastly improved over the prior years. Great progress was made during the year. We encourage you to continuously evaluate your internal controls and closely monitor your system on a regular basis.

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

This information is intended solely for the use of the Township Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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May 10, 2013

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Clam Union Township
Missaukee County
Falmouth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Clam Union Township as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Clam Union Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clam Union Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Clam Union Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Clam Union Township's internal control to be material weaknesses:

1) Segregation of Incompatible Duties and Documented Independent Review

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities detailed above may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

2) *Preparation of Financial Statements in Accordance with GAAP*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Clam Union Township's responses to the material weaknesses identified in our audit are described above. We did not audit Clam Union Township's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Township Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

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