

**TOWNSHIP OF GRANT
MECOSTA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS**

Fiscal Year Ended March 31, 2013

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Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Independent Auditor's Report

Members of the Township Board
Township of Grant
Big Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, general fund, and the aggregate remaining fund information of the Township of Grant, 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. We also have audited the fiduciary fund of the Township of Grant.

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 misstatement 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness 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 the Township of Grant, Michigan, as of March 31, 2013, and the respective changes in financial position for the year then ended in accordance 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 budgetary comparison information on page 17 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.

Management has omitted the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Barry E. Gaudette, CPA, PC

June 12, 2013

TOWNSHIP OF GRANT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
March 31, 2013

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 216,112
Taxes receivable	2,858
Prepaid insurance	316
Due from other funds	397
TOTAL CURRENT ASSETS	219,683
NON-CURRENT ASSETS	
Property and equipment, net of depreciation	20,062
TOTAL ASSETS	239,745
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	972
Accrued payroll taxes	159
TOTAL LIABILITIES	1,131
NET ASSETS	
Invested in capital assets	20,062
Restricted for prepaid insurance	316
Unrestricted	218,236
TOTAL NET ASSETS	\$ 238,614

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

TOWNSHIP OF GRANT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Governmental Activities:					
Legislative	\$ 6,946	\$ 0	\$ 0	\$ 0	\$ (6,946)
General government	48,990	3,517	0	0	(45,473)
Public safety	7,000	0	0	0	(7,000)
Other	964	0	0	0	(964)
TOTAL	\$ 63,900	\$ 3,517	\$ 0	\$ 0	(60,383)
GENERAL REVENUES					
					32,249
					53,079
					1,000
					214
					757
					290
					<u>87,589</u>
					CHANGE IN NET ASSETS
					27,206
					Net assets – beginning
					<u>211,408</u>
					NET ASSETS – ENDING
					<u>\$ 238,614</u>

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

TOWNSHIP OF GRANT
GOVERNMENTAL FUNDS BALANCE SHEET
COMBINED BALANCE SHEET
March 31, 2013

	General
ASSETS	
Cash and equivalents	\$ 216,112
Taxes receivable	2,858
Prepaid insurance	316
Due from other funds	397
TOTAL ASSETS	\$ 219,683
LIABILITIES	
Accounts payable	\$ 972
Accrued payroll taxes	159
TOTAL LIABILITIES	1,131
FUND BALANCES	
Nonspendable for prepaid expenses	316
Unassignable	218,236
TOTAL FUND BALANCES	218,552
TOTAL LIABILITIES AND FUND BALANCES	\$ 219,683

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

TOWNSHIP OF GRANT
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
March 31, 2013

Total fund balance – total governmental funds	\$ 218,552
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	<u>20,062</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 238,614</u></u>

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

TOWNSHIP OF GRANT
ALL GOVERNMENTAL FUNDS TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year ended March 31, 2013

	General
REVENUES	
Property taxes and related fees	\$ 32,249
State shared revenues and grants	53,079
Charges for services	3,517
Interest and rentals	1,214
Other:	
Miscellaneous	290
Refunds and rebates	757
	91,106
EXPENDITURES	
Legislative	6,946
General government	48,106
Public safety	7,000
Other	964
	63,016
EXCESS OF REVENUES OVER (OVER) EXPENDITURES	28,090
Fund balance – beginning	190,462
	218,552
Fund balance – ending	\$ 218,552

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

TOWNSHIP OF GRANT
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2013

Net change in fund balance – total governmental funds	\$ 28,090
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	(884)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 27,206</u></u>

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

TOWNSHIP OF GRANT
STATEMENT OF NET ASSETS
FIDUCIARY FUND
March 31, 2013

	Tax Collection Fund
ASSETS	
Cash and cash equivalents	\$ 397
Total assets	397
LIABILITIES	
Due to other funds	397
Due to individuals	0
Due to other governmental units	0
Total liabilities	397
NET ASSETS	
Held in trust for other purposes	\$ 0

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

TOWNSHIP OF GRANT
FIDUCIARY FUNDS – AGENCY
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2013

	Tax Collection Fund
ADDITIONS	
Property tax collections and fees	\$ 663,922
Total additions	663,922
DEDUCTIONS	
Payments to general fund	32,249
Payments to other governmental units	631,673
Total deductions	663,922
Changes in net assets	0
Net assets – beginning	0
Net assets – ending	\$ 0

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

TOWNSHIP OF GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Grant (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 Township's operations for which the government is considered to be financially accountable. The Township does not have any component units that are required to be presented, either discretely or blended or jointly governed organizations. The Township does have an agreement with the Colfax Township Fire Department to render fire protection to its residents.

Government-Wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. *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 Township does not have any business-type activities.

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 revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 Township 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 a payment is due.

Taxes Receivable – Current Property Taxes

Property taxes, interest, and charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Mecosta County, which advances the Township 100% for the delinquent taxes.

The 2012 taxable valuation (real and personal) of the Township totaled \$22,865,786, on which ad valorem taxes levied consisted of 1.25 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue.

The Township reports the following major governmental fund:

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.

TOWNSHIP OF GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on February 16th 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.

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 \$500 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 GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (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 years
Building Improvements	10 -	15 years
Equipment	3 -	5 years

Compensated Absences (Vacation, Personal and Sick Leave)

The Township does not have a compensated absence policy.

Long-Term Obligations

The Township does not have any long-term obligations.

Fund Balance – 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. The Township does not have any restricted or designated fund balances.

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

TOWNSHIP OF GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE B-CASH AND INVESTMENTS (CONTINUED)

units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated one bank 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)	\$ 216,509
TOTAL (includes trust and agency funds)	<u>\$ 216,509</u>

The federal insured bank balance of the Township's deposits is \$216,509. There were no items classified as investments during the fiscal year.

NOTE C – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGET FUNDS

P.A. 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 accruals and reclassifications.

NOTE D – INTERFUND RECEIVABLE AND PAYABLE

The March 31, 2013, balances of interfund receivables and payables are as follows:

Due From	Due to	Amount
Tax collection fund	General fund	<u>\$ 397</u>

TOWNSHIP OF GRANT
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE E – CHANGES IN CAPITAL ASSETS

Capital asset activity for the Township for the year ended March 31, 2013 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u>
Governmental Funds:				
Assets not depreciated-Land	\$ 8,321	\$ 0	\$ 0	\$ 8,321
Assets depreciated:				
Buildings	72,006	0	0	72,006
Equipment	17,149	0	0	17,149
Total at Historic Cost	<u>97,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>97,476</u>
Less Accumulated Depreciation for:				
Buildings	(61,787)	\$ (388)	\$ 0	(62,175)
Equipment	(14,743)	(496)	0	(15,239)
Total Accumulated Depreciation	<u>(76,530)</u>	<u>\$ (884)</u>	<u>\$ 0</u>	<u>(77,414)</u>
Net Governmental Funds-Capital Assets	<u>\$ 20,946</u>			<u>\$ 20,062</u>

NOTE F – DEFINED CONTRIBUTION 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.

The Township's contribution was \$1,948 during the fiscal year.

NOTE K – RISK MANAGEMENT

The Township of Grant 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 Grant 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. Settle claims have not exceeded this commercial coverage in any of the past three fiscal years.

REQUIRED
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF GRANT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended March 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning Fund Balance	\$ 0	\$ 0	\$ 190,462	\$ 190,462
Resources (Inflows):				
Property taxes and related fees	28,500	28,500	32,249	3,749
Licenses and permits	10	10	0	(10)
State shared revenues and grants	47,450	47,450	53,079	5,629
Charges for services	2,930	2,930	3,517	587
Interest and rentals	850	850	1,214	364
Cemetery lots sold	100	100	0	(100)
Refunds and reimbursements	750	750	757	7
Other	0	0	290	290
AMOUNTS AVAILABLE FOR APPROPRIATION	80,590	80,590	281,568	200,978
Charges to Appropriations(Outflows)				
Legislative				
Township board	8,220	8,045	6,946	1,099
General Government				
Supervisor	3,985	3,926	3,685	241
Elections	3,600	3,600	2,985	615
Clerk	7,630	7,630	7,536	94
Assessor	10,700	10,759	10,759	0
Audit	0	175	175	0
Board of review	750	750	144	606
Treasurer	9,266	9,266	9,093	173
Buildings and property	7,050	7,050	6,639	411
Cemetery	7,850	7,850	7,090	760
Public Safety				
Fire	8,000	8,000	7,000	1,000
Public Works				
Roads	11,039	11,039	0	11,039
Other				
Payroll taxes	2,500	2,500	964	1,536
TOTAL CHARGES TO APPROPRIATIONS	80,590	80,590	63,016	17,574
BUDGETARY FUND BALANCE- ENDING	\$ 0	\$ 0	\$ 218,552	\$ 218,552

TOWNSHIP OF GRANT
AUDIT FINDINGS
Year ended March 31, 2013

2013-01 FINANCIAL REPORTING CYCLE

Condition/Criteria: The year-end financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is not recording all accruals at year end.

Cause of Condition: Failure to record all accruals in the general ledger.

Effect: Because not all of the accruals are being recorded in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing accrual accounting and often operate on the modified cash basis.

Management Response – Corrective Action Plan: Brenda Peterson, Clerk is the contact person responsible for the correction. The Township board closely monitors financial activity, and the board will determine the cost-effectiveness of implementing accrual accounting on an annual basis. The anticipated date of completion is unknown.

2013-02 ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES

Condition/Criteria: Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the Township did not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: I assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: I do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Management Response – Corrective Action Plan: Brenda Peterson, Clerk is the contact person responsible for the correction. Management concurs with this recommendation. The anticipated date of completion is unknown.

TOWNSHIP OF GRANT
AUDIT FINDINGS (CONTINUED)
Year ended March 31, 2013

2013-03 SEGREGATION OF DUTIES-TOWNSHIP

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. The Township Clerk and Treasurer have responsibility for more than one of the three components of internal control.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Management Responses – Corrective Action Plan: Brenda Peterson, Clerk is the contact person responsible for the correction. The Board of Trustees closely monitors all payments and reviews the financial statements on a monthly basis. The anticipated date of completion is unknown.

Barry E. Gaudette, CPA, PC
731 S. Garfield Avenue
Traverse City, Michigan 49686

Members of the Township Board
Township of Grant
Big Rapids, Michigan

We have audited the financial statements of the governmental activities of the Township of Grant for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 June 12, 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. The significant accounting policies used by the Township of Grant are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2013. 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. There were no major sensitive estimates affecting the Township's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant 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 clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my 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 June 12, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Township Board and is not intended to be, and should not be, used by anyone other than the Board.

Barry E. Gaudette, CPA, PC

June 12, 2013