

**Township of North Plains
Ionia County, Michigan**

FINANCIAL STATEMENTS

March 31, 2013

Township of North Plains

Ionia County, Michigan

March 31, 2013

BOARD OF TRUSTEES

William Kruger

Supervisor

Robert Fahey

Clerk

Earl Howell

Treasurer

James Ward

Trustee

William Cunningham

Trustee

Township of North Plains

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of North Plains
Hubbardston, Michigan

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of North Plains, Michigan (the Township), 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 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 and the major fund of the Township of North Plains, 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.

Change in Accounting Principle

As discussed in Note G, during the year the Township implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statement No. 63 and GASB Statement No. 65, as applicable. Our opinion is not modified with respect to this matter.

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, as identified in the table of contents, 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 6, 2013

Township of North Plains
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2013:

- State shared revenue, our largest revenue source in the General Fund, increased \$3,298 from the prior year.
- Property tax revenues increased approximately \$1,045 from the prior year. The increase is the result of a slight increase in property values in the Township.
- Total fund balance related to the Township's governmental fund increased by \$1,347.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township of North Plains as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of North Plains in more detail than the government-wide financial statements by providing information about the Township's General Fund.

The Township as a Whole

The following table shows, in a condensed format, the net position as of March 31, 2013 and 2012:

	2013	2012
Assets		
Current and other assets	\$ 146,383	\$ 145,036
Capital assets, net	128,202	140,296
Total assets	274,585	285,332
Liabilities	-	-
Net Position		
Net investment in capital assets	128,202	140,296
Unrestricted	146,383	145,036
Total net position	\$ 274,585	\$ 285,332

Township of North Plains

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

The Township as a Whole - continued

The Township's total net position was \$274,585 at March 31, 2013. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) were \$146,383 at the end of the fiscal year. The net position invested in capital assets were at \$128,202.

The following table shows the changes in net position during the years ended March 31, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Revenue		
Program revenues		
Charges for services	\$ 10,603	\$ 13,040
General revenues		
Property taxes	26,678	25,633
State shared revenue	67,665	64,367
Investment earnings	3,558	3,559
Other revenue	<u>4,754</u>	<u>2,278</u>
Total revenue	113,258	108,877
Program expenses		
General government	48,326	52,865
Public safety	19,575	18,716
Public works	51,403	50,842
Health and welfare	<u>4,701</u>	<u>4,705</u>
Total program expenses	<u>124,005</u>	<u>127,128</u>
Change in Net Position	<u>\$ (10,747)</u>	<u>\$ (18,251)</u>

Governmental Activities

The Township's governmental revenues totaled \$113,258 with the greatest revenue source being state shared revenue of \$67,665. The second largest source of revenue was taxes of \$26,678.

The Township incurred expenses of \$124,005 during the year. The majority of governmental expense is associated with the public safety and general government functions.

The Township's Fund

The analysis of the Township's General Fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the only fund of the Township, not the Township of North Plains as a whole. The Township of North Plains' Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for the Township's governmental services. The most significant service provided during the fiscal year was public works, which incurred expenditures of \$51,403 for the fiscal year.

Township of North Plains

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund anticipated expenditures during the year. However, there was an overall favorable variance of approximately \$24,339 between budgeted and actual amounts.

Capital Asset and Debt Administration

At the end of the fiscal year, the Township had approximately \$128,202 invested in capital assets, net of accumulated depreciation, including buildings and vehicles. In addition, the Township has made certain investments in roads and drains within the Township of North Plains. These assets are not reported in the Township of North Plains' fund statements, because under Michigan law, these roads and drains are the property of the Ionia County Road and Drain Commissions, respectively.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

Contacting the Township's Management

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

BASIC FINANCIAL STATEMENTS

Township of North Plains
STATEMENT OF NET POSITION
March 31, 2013

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 46,066
Investments	17,000
Total current assets	63,066
Noncurrent assets	
Investments	83,317
Capital assets, net of accumulated depreciation	128,202
Total noncurrent assets	211,519
TOTAL ASSETS	274,585
LIABILITIES	-
NET POSITION	
Net investment in capital assets	128,202
Unrestricted	146,383
TOTAL NET POSITION	\$ 274,585

See accompanying notes to financial statements.

Township of North Plains
STATEMENT OF ACTIVITIES
Year Ended March 31, 2013

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 48,326	\$ 10,603	\$ (37,723)
Public safety	19,575	-	(19,575)
Public works	51,403	-	(51,403)
Health and welfare	4,701	-	(4,701)
Total governmental activities	\$ 124,005	\$ 10,603	(113,402)
		General revenues:	
		Property taxes	26,678
		State shared revenue	67,665
		Investment earnings	3,558
		Other	4,754
		Total general revenues	102,655
		Change in net position	(10,747)
		Net position, beginning of the year	285,332
		Net position, end of the year	\$ 274,585

See accompanying notes to financial statements.

Township of North Plains

Governmental Fund

BALANCE SHEET

March 31, 2013

	<u>General</u>
ASSETS	
Current assets	
Cash	\$ 46,066
Investments	<u>100,317</u>
TOTAL ASSETS	<u>\$ 146,383</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$ -
FUND BALANCE	
Unassigned	<u>146,383</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 146,383</u>

See accompanying notes to financial statements.

Township of North Plains

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

March 31, 2013

Fund balance - governmental fund \$ 146,383

Amounts reported for the 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 as assets in the governmental fund.

The cost of capital assets is	\$ 264,044	
Accumulated depreciation is	<u>(135,842)</u>	
Capital assets, net		<u>128,202</u>
Net position of governmental activities		<u><u>\$ 274,585</u></u>

Township of North Plains

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year Ended March 31, 2013

	<u>General</u>
REVENUES	
Taxes	\$ 37,281
Licenses and permits	2,815
Intergovernmental	67,665
Interest and rents	3,558
Other	<u>1,939</u>
TOTAL REVENUES	113,258
EXPENDITURES	
Current	
General government	46,607
Public safety	9,200
Public works	51,403
Health and welfare	<u>4,701</u>
TOTAL EXPENDITURES	<u>111,911</u>
NET CHANGE IN FUND BALANCE	1,347
Fund balance, beginning of year	<u>145,036</u>
Fund balance, end of year	<u><u>\$ 146,383</u></u>

Township of North Plains

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2013

Net change in fund balance - governmental fund \$ 1,347

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (12,094)

Change in net position of governmental activities \$ (10,747)

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of North Plains, Michigan (the Township), was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Ionia County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present all financial activities of the Township of North Plains. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of North Plains contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's only governmental fund. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government.

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded in the government-wide statements when resources are received by the Township before it has legal claim to them, such as when program fees are received. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

5. Budgets and Budgetary Accounting

The General Fund budget shown in the required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash and Investments

Cash consists of checking and savings accounts. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Investments are recorded at cost, which approximates market value.

7. Property Tax

The Township of North Plains bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Ionia County Treasurer on March 1 of the year following the levy. The Ionia County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire operations and debt service. For the year ended March 31, 2013, the Township levied 0.8441 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2012 levy for property within the Township was \$31,381,194.

8. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 years
Vehicles	20 years
Equipment	10 years

9. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

10. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of 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 which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2013, the carrying amount of the Township's deposits was \$146,383 and the bank balance was \$143,404 which was fully covered by federal depository insurance.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2013, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Township of North Plains
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE B: CASH AND INVESTMENTS - CONTINUED

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: CAPITAL ASSETS

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

	Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013
Buildings	\$ 23,407	\$ -	\$ -	\$ 23,407
Vehicles	223,190	-	-	223,190
Equipment	17,447	-	-	17,447
Subtotal	264,044	-0-	-0-	264,044
Less accumulated depreciation for:				
Buildings	(23,407)	-	-	(23,407)
Vehicles	(90,044)	(10,375)	-	(100,419)
Equipment	(10,297)	(1,719)	-	(12,016)
Total accumulated depreciation	(123,748)	(12,094)	-0-	(135,842)
Capital assets, net	<u>\$ 140,296</u>	<u>\$ (12,094)</u>	<u>\$ -0-</u>	<u>\$ 128,202</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 1,719
Public safety	<u>10,375</u>
Total depreciation expense	<u>\$ 12,094</u>

NOTE D: PENSION PLAN

The Township of North Plains is the sponsor of a defined contribution retirement plan for the sole benefit of its employees. The North Plains Township Money Purchase Pension Plan is a money purchase defined contribution pension benefit plan and is administered by Municipal Retirement Systems, Inc. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. During the year ended March 31, 2013, the Township of North Plains made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be eighteen (18) years of age.

For the year ended March 31, 2013, the Township of North Plains had a total payroll of \$29,082. The North Plains Township Money Purchase Pension Plan had a covered payroll of \$26,521. The Township of North Plains Township made employer contributions to the pension plan of \$2,652.

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE E: RISK MANAGEMENT

The Township participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's 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 assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's 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 assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE F: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township of North Plain's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution of the Board of Trustees.

For assigned fund balance, the Township has not approved a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Trustees.

The Township has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. Therefore, restricted resources will be used first, then unrestricted resources as they are needed.

Township of North Plains

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE G: CHANGES IN ACCOUNTING PRINCIPLES

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This GASB Statement also provides a new format to certain financial statements to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

These statements impacted the format and reporting of the statement of net position and the balance sheet at the government-wide level and at the fund level, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Township of North Plains

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 29,110	\$ 29,110	\$ 37,281	\$ 8,171
Licenses and permits	2,815	2,815	2,815	-0-
Intergovernmental - State/Local	67,665	67,665	67,665	-0-
Interest	3,558	3,558	3,558	-0-
Other	-	-	1,939	1,939
TOTAL REVENUES	103,148	103,148	113,258	10,110
EXPENDITURES				
Current				
General government				
Township board	19,000	19,000	16,186	2,814
Supervisor	13,000	13,000	12,297	703
Elections	5,100	3,000	5,033	(2,033)
Clerk	7,000	7,000	6,271	729
Board of review	1,500	1,500	549	951
Treasurer	7,000	7,000	6,271	729
Total general government	52,600	50,500	46,607	3,893
Public safety				
Fire protection	11,000	11,000	9,200	1,800
Public works				
Highways, streets, and bridges	67,150	69,250	51,403	17,847
Health and welfare				
Ambulance	5,500	5,500	4,701	799
TOTAL EXPENDITURES	136,250	136,250	111,911	24,339
NET CHANGE IN FUND BALANCE	(33,102)	(33,102)	1,347	34,449
Fund balance, beginning of year	145,036	145,036	145,036	-0-
Fund balance, end of year	<u>\$ 111,934</u>	<u>\$ 111,934</u>	<u>\$ 146,383</u>	<u>\$ 34,449</u>