

**SUMMIT TOWNSHIP
JACKSON COUNTY, MICHIGAN**

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MARCH 31, 2013

SUMMIT TOWNSHIP
ANNUAL FINANCIAL REPORT
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ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Summit Township Board
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summit Township, 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 our 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, the business-type activities, each major fund, and the aggregate remaining fund information of Summit Township, Michigan, as of March 31, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

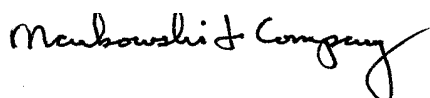
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, to 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Summit Township, Michigan's, basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of indebtedness are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.



MARKOWSKI & COMPANY, CPAs
August 30, 2013

SUMMIT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

As management of Summit Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Summit Township for the fiscal year ended March 31, 2013.

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

Summit Township as a Whole

The Township has combined net assets of \$27,951,308. A substantial portion of the Township's net assets (66%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure such as water and sewer lines and payments for road construction); less any related debt used to acquire those assets still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Combined net position increased by \$28,496 during the year ended March 31, 2013. Looking at governmental activities separately from the business-type activities, net position increased \$70,660, primarily due to an additional 1 mill property tax levy for public safety approved by the voters in the previous year.

Business-type activities reported a decrease in net position of \$42,164 primarily due to depreciation on capital assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 5,484,964	\$ 5,205,362	\$ 4,429,940	\$ 4,557,277	\$ 9,914,904	\$ 9,762,639
Noncurrent assets	2,470,383	2,598,901	19,718,087	19,952,555	22,188,470	22,551,456
Total assets	<u>7,955,347</u>	<u>7,804,263</u>	<u>24,148,027</u>	<u>24,509,832</u>	<u>32,103,374</u>	<u>32,314,095</u>
Current liabilities	181,942	136,136	508,858	490,130	690,800	626,266
Noncurrent liabilities	194,879	160,260	3,266,387	3,604,756	3,461,266	3,765,016
Total liabilities	<u>376,821</u>	<u>296,396</u>	<u>3,775,245</u>	<u>4,094,886</u>	<u>4,152,066</u>	<u>4,391,282</u>
Net Position:						
Invested in capital assets - net of debt	2,243,653	2,354,193	16,158,003	16,058,266	18,401,656	18,412,459
Restricted	288,405	262,688	310,978	249,093	599,383	511,781
Unrestricted	5,046,468	4,890,986	3,903,801	4,107,587	8,950,269	8,998,573
Total net position	<u>\$ 7,578,526</u>	<u>\$ 7,507,867</u>	<u>\$ 20,372,782</u>	<u>\$ 20,414,946</u>	<u>\$ 27,951,308</u>	<u>\$ 27,922,813</u>

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 412,112	\$ 395,207	\$ 3,934,969	\$ 3,868,202	\$ 4,347,081	\$ 4,263,409
Operating Grants and Contributions	580,147	609,551	-	-	580,147	609,551
Capital Grants and Contributions	-	4,000	-	174,000	-	178,000
General Revenues						
Property Taxes	681,989	700,410	-	-	681,989	700,410
State-Shared Revenues	1,634,817	1,658,521	-	-	1,634,817	1,658,521
Interest Income	23,863	25,718	28,159	20,977	52,022	46,695
Administrative Fees - Other Funds	170,000	170,000	-	-	170,000	170,000
Franchise Fees	214,915	200,816	-	-	214,915	200,816
Telecommunication Fees	10,936	10,530	-	-	10,936	10,530
Other Income	46,807	73,590	-	-	46,807	73,590
Transfers	(12,740)	(79,906)	-	-	(12,740)	(79,906)
Total Revenues	<u>3,762,846</u>	<u>3,768,437</u>	<u>3,963,128</u>	<u>4,063,179</u>	<u>7,725,974</u>	<u>7,831,616</u>
Program Expenses						
Legislative	103,132	117,164	-	-	103,132	117,164
General Government	714,363	614,225	-	-	714,363	614,225
Public Safety	2,162,398	2,069,743	-	-	2,162,398	2,069,743
Public Works	184,391	197,983	-	-	184,391	197,983
Other Functions	101,840	94,937	-	-	101,840	94,937
OPEB - Health Insurance	245,260	247,094	-	-	245,260	247,094
Depreciation and Amortization	180,802	181,449	-	-	180,802	181,449
Water and Sewer	-	-	4,005,292	3,878,987	4,005,292	3,878,987
Total Expenses	<u>3,692,186</u>	<u>3,522,595</u>	<u>4,005,292</u>	<u>3,878,987</u>	<u>7,697,478</u>	<u>7,401,582</u>
Change in Net Position	<u>\$ 70,660</u>	<u>\$ 245,842</u>	<u>\$ (42,164)</u>	<u>\$ 184,192</u>	<u>\$ 28,496</u>	<u>\$ 430,034</u>

SUMMIT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township had governmental revenues of \$3,762,846 which remained consistent with prior years. Property taxes were \$1,262,136 or 34% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing was \$1,634,817 or 43% of total governmental revenue. Distribution of this revenue is also controlled by State law. The remaining 23% of governmental activity revenue is comprised primarily of charges for services, franchise fees and investment income. The Township's budget is expended largely on public safety consisting of fire and police protection with expenditures of \$2,023,477 or 55%, and building code enforcement of \$138,921 or 4% of total governmental fund expenditures. The remaining budget being dedicated to other functions such as elections, assessing, zoning, roads and streets and Township administration.

Business-Type Activities

The Township's business-type activities consist of its Water and Sewer funds. The Township had a decrease in net position of \$42,164. Operating revenues of the business-type activities decreased by \$100,051 or 2%.

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased \$210,136. Total revenues in the General Fund were \$3,427,661. Total expenditures were \$2,949,525 with additional transfers of \$268,000 to the other funds to finance items such as the retiree health insurance liability.

The Water and Sewer Fund is used to account for business-like activities provided to the Township's residents. The Township charges for water and sewer service and other related goods and services. Net assets decreased by \$42,164. The total operating revenues were \$3,934,969 and operating expenses were \$3,916,394. Major expenses include water and sewer purchases \$901,163, interest on debt \$86,620 and system maintenance and supplies \$366,737.

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds (Continued)

The Township maintains several Special Revenue Funds to account for resources set aside for specific purposes, as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity.

General Fund Budgetary Highlights

The original budget adopted for the Township's General Fund projected a \$125,300 increase in fund balance. As the year progressed and actual events took place, an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$165,400 increase in fund balance with the General Fund transferring \$268,000 to other funds.

Capital Asset and Debt Administration

At the end of the March 31, 2013 fiscal year, the Township had \$21,925,235 invested in its capital assets, net of accumulated depreciation.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and improvements	\$ 122,501	\$ 465,708	\$ 588,209
Building and improvements	1,291,641	640,834	1,932,475
Water and Sewer Systems	-	18,107,255	18,107,255
Machinery & equipment	207,929	467,785	675,714
Office equipment	39,713	-	39,713
Vehicles	581,869	-	581,869
Total	<u>\$ 2,243,653</u>	<u>\$ 19,681,582</u>	<u>\$ 21,925,235</u>

At the end of the year the Township had total debt outstanding of \$3,523,579. The debt represents general obligation bonds from the water and sewer fund.

SUMMIT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

Along with efficiently carrying out routine managerial and operating responsibilities, management continues to face the challenge of exploring, identifying and implementing cost saving measures as well as planning for the future of Summit Township.

To this end contracts with the Jackson County Sheriff for police services, the Jackson Area Transportation Authority for fuel purchasing and Napoleon Township for building inspection services are continuing to deliver economies to all involved parties. This year additional opportunities include contracting with Spring Arbor Township to receive fire chief services and providing building inspection services for Grass Lake Township.

As in the past several years, the Township anticipates that 2013/2014 will continue to present fiscal challenges, though not as acute as in the past. State revenue sharing continues to improve somewhat, and property values are stabilizing which likely will end the reduction in property tax revenue. In addition, voters approved a 1 mill levy for five years to maintain current level police and fire services in the Township. So, this next fiscal year should prove to be quite manageable.

Every 10 years following the U.S. Census, federal, state and local officials may redistrict their communities. Consequently redistricting changes were made to our State Senate, State Representative and County Commission districts. As a result Summit Township has consolidated our 12 voting precincts into 8 with 3 voting locations. Our estimate is that this will save thousands of taxpayer dollars over the next 10 years as election costs continue to escalate. The August 7th Primary and November 6th Presidential elections were held in this new precinct configuration. Voter participation was 23% and 67% respectively.

Fire Department apparatus maintenance expenditures continue to increase with two major repair bills for engine rebuilds being incurred this year. This combined with the aging of apparatus has precipitated the need to evaluate current condition and future needs of the department. An Apparatus Committee has been formed and is developing a recommendation for the Township Board of Trustees. In addition, Deputy Chief Harvey has been attending Fire Staff and Command School at Eastern Michigan University and will graduate in October, 2013.

The Department of Public Works has completed a number of major projects this past year. The Vandercook Lake tower repair and painting was finished during the year and a major pump was replaced at the #1 Sewer Lift Station. In addition, a sewer system infiltration project was completed resulting in a significant decrease in sewage treatment cost for the Township. Sewer and water rates are expected to remain stable next year.

Building construction activity is improving but continues significantly below prior years. Significant construction projects include a new Klavon's restaurant, the Culligan water conditioning and hot tub building and a major renovation of the Foxfire apartment complex. The Building Inspector's continuing oversight of Township facilities maintenance and modification responsibilities provides appropriate expertise and management of these buildings while helping with the fixed costs of the department.

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates (Continued)

The Township Recreation Planning Committee has completed review and revision of the Township Recreation Plan. This is required every 5 years and will be presented to the Township Board for adoption early next year.

Several technological updates are planned for next year. The multi-media system upgrade in the Township offices and meeting rooms will be completed by mid-year and a new website will be developed to provide additional information and improve ease of use.

Ordinance enforcement continues to be a challenge. Though foreclosure activity is continuing to decline, there are still a significant number of un-occupied homes in violation of the Townships Noxious Weed Ordinance. Persistence by the Ordinance Enforcement Officer of financial institutions and realtors responsible for these properties is helping to keep this under control.

The Townships 5 year cooperative agreement with the City of Jackson and the Ella Sharp Park Board to reduce the deer population in and around Sharp Park (Summit Township surrounds the park on three sides) and Cascades concluded last year. Based on an evaluation by the State Department of Natural Resources the program has been authorized to continue on a year to year basis. Consequently, the Township did participate with the City this year and will continue to consider this cooperative approach on an annual basis. All indications suggest the program has been effective in managing the deer population in/around the parks.

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 to show our accountability for the money received. If you have questions about this report, or would like additional information, we welcome you to contact the Township Supervisor at 2121 Ferguson Rd, Jackson, Michigan 49203.

SUMMIT TOWNSHIP
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED MARCH 31, 2013

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,269,103	\$ 1,273,850	\$ 2,542,953
Investments	3,458,257	2,391,861	5,850,118
Accounts receivable	364,632	592,077	956,709
Due from other governments	106,637	122,248	228,885
Internal balances	261,911	(261,911)	-
Prepaid expenses	24,424	83,000	107,424
Inventory	-	227,978	227,978
Special assessment receivable - short term	-	837	837
Total current assets	5,484,964	4,429,940	9,914,904
Noncurrent assets:			
Capital assets not being depreciated	58,022	450,227	508,249
Capital assets being depreciated, net	2,185,631	19,231,355	21,416,986
Special assessment receivable - long term	-	11,191	11,191
Bond issuance costs	-	25,314	25,314
Intangible asset - road construction	226,730	-	226,730
Total noncurrent assets	2,470,383	19,718,087	22,188,470
Total assets	7,955,347	24,148,027	32,103,374
LIABILITIES:			
Current liabilities:			
Accounts payable	118,493	160,113	278,606
Accrued payroll	63,449	13,745	77,194
Bonds, notes, and loans payable - current	-	335,000	335,000
Total current liabilities	181,942	508,858	690,800
Noncurrent liabilities:			
Bonds, notes, and loans payable - long term	-	3,188,579	3,188,579
Compensated absences	194,879	77,808	272,687
Total noncurrent liabilities	194,879	3,266,387	3,461,266
Total liabilities	376,821	3,775,245	4,152,066
NET POSITION:			
Invested in capital assets - net of related debt	2,243,653	16,158,003	18,401,656
Restricted for:			
Prepaid expenses	24,424	83,000	107,424
Public Works - Street Lights	152,086	-	152,086
Public Safety - Building Department	111,895	-	111,895
Inventory	2,877,647	227,978	3,105,625
Unrestricted	2,168,821	3,903,801	6,072,622
Total net position	\$ 7,578,526	\$ 20,372,782	\$ 27,951,308

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

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 103,132	\$ -	\$ -	\$ -
General government	714,363	28,855	-	-
Public safety	2,162,398	157,991	580,147	-
Public works	184,391	208,864	-	-
Other functions	101,840	16,402	-	-
OPEB - Health insurance	245,260	-	-	-
Depreciation and amortization	180,802	-	-	-
Total governmental activities	3,692,186	412,112	580,147	-
Business-type activities				
Water and sewer	4,005,292	3,934,969	-	-
Total government	\$ 7,697,478	\$ 4,347,081	\$ 580,147	\$ -

General revenues:

Property taxes
State-shared revenues
Interest income
Administrative fees - from other funds
Franchise fees
Telecommunication fees
Other income
Transfers

Total general revenues and transfers

Change in net position
Net position - Beginning
Net position - Ending

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

Net (Expenses) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (103,132)	\$ -	\$ (103,132)
(685,508)	-	(685,508)
(1,424,260)	-	(1,424,260)
24,473	-	24,473
(85,438)	-	(85,438)
(245,260)	-	(245,260)
(180,802)	-	(180,802)
<u>(2,699,927)</u>	<u>-</u>	<u>(2,699,927)</u>
 -	 (70,323)	 (70,323)
<u>(2,699,927)</u>	<u>(70,323)</u>	<u>(2,770,250)</u>
 681,989	 -	 681,989
1,634,817	-	1,634,817
23,863	28,159	52,022
170,000	-	170,000
214,915	-	214,915
10,936	-	10,936
46,807	-	46,807
(12,740)	-	(12,740)
<u>2,770,587</u>	<u>28,159</u>	<u>2,798,746</u>
 70,660	 (42,164)	 28,496
7,507,866	20,414,946	27,922,812
<u>\$ 7,578,526</u>	<u>\$ 20,372,782</u>	<u>\$ 27,951,308</u>

SUMMIT TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2013

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 964,974	\$ 304,129	\$ 1,269,103
Investments	3,458,257	-	3,458,257
Accounts receivable:			
Sales tax	252,400	-	252,400
Franchise fees	53,921	-	53,921
Other	11,731	180	11,911
Prepaid expenses	24,424	-	24,424
Accrued interest receivable	23,826	-	23,826
Due from other funds	323,183	-	323,183
Due from other governments	88,814	17,823	106,637
	<u>5,201,530</u>	<u>322,132</u>	<u>5,523,662</u>
Total assets	<u>\$ 5,201,530</u>	<u>\$ 322,132</u>	<u>\$ 5,523,662</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 102,012	\$ 16,481	\$ 118,493
Accrued payroll	60,477	2,972	63,449
Due to other funds	-	38,698	38,698
	<u>162,489</u>	<u>58,151</u>	<u>220,640</u>
Total liabilities	<u>162,489</u>	<u>58,151</u>	<u>220,640</u>
FUND BALANCES			
Nonspendable: Prepaid expenses	24,424	-	24,424
Restricted for:			
Public Works - Street Lights	-	152,086	152,086
Public Safety - Building Department	-	111,895	111,895
Assigned for capital improvements	2,877,647	-	2,877,647
Unassigned	2,136,970	-	2,136,970
	<u>5,039,041</u>	<u>263,981</u>	<u>5,303,022</u>
Total Fund Balance	<u>5,039,041</u>	<u>263,981</u>	<u>5,303,022</u>
Total liabilities, fund equity and other credits	<u>\$ 5,201,530</u>	<u>\$ 322,132</u>	<u>\$ 5,523,662</u>

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

SUMMIT TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET POSITION

MARCH 31, 2013

Total fund balance - total governmental funds	\$ 5,303,022
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Amounts reported for governmental activities in the statement of net position are different because:

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

For purposes of this reconciliation capital assets are netted with accumulated depreciation.

2,243,653

The Township has a road agreement with the County Road Commission to share in the cost of road construction. The Township does not own or maintain these roads and therefore they are not reported in the governmental funds balance sheet. Amount shown net of related amortization.

226,730

Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.

<u>(194,879)</u>

Net position of governmental activities

<u><u>\$ 7,578,526</u></u>

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

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2013

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
State shared revenues	\$ 1,634,817	\$ -	\$ 1,634,817
Fines and forfeitures	19,147	-	19,147
Interest and rentals	23,646	217	23,863
Taxes and penalties	1,262,136	208,864	1,471,000
Licenses and fees	242,253	126,524	368,777
Other revenue	245,662	12,320	257,982
Total revenues	<u>3,427,661</u>	<u>347,925</u>	<u>3,775,586</u>
EXPENDITURES:			
Current:			
Legislative	103,132	-	103,132
General government	738,776	-	738,776
Public safety	2,005,777	149,874	2,155,651
Public works	-	184,391	184,391
Other functions	101,840	-	101,840
Total expenditures	<u>2,949,525</u>	<u>334,265</u>	<u>3,283,790</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>478,136</u>	<u>13,660</u>	<u>491,796</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	10,000	10,000
Operating transfers (out)	(268,000)	-	(268,000)
Total other financing sources (uses)	<u>(268,000)</u>	<u>10,000</u>	<u>(258,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	210,136	23,660	233,796
FUND BALANCE - Beginning of year	<u>4,828,905</u>	<u>240,321</u>	<u>5,069,226</u>
FUND BALANCE - End of year	<u>\$ 5,039,041</u>	<u>\$ 263,981</u>	<u>\$ 5,303,022</u>

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

SUMMIT TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended March 31, 2013

Net change in fund balances - total governmental funds	\$	233,796
--	----	---------

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

Government funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	52,285
--	--------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(162,825)
---	-----------

Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure in governmental funds.	(17,977)
--	----------

Earned leave expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>(34,619)</u>
---	-----------------

Change in net position of governmental activities	\$	<u><u>70,660</u></u>
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The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,273,850
Investments	2,391,861
Receivables	572,766
Accrued interest receivable	19,311
Inventory, at cost - Pumps and meters	227,978
Prepaid expense	83,000
Due from other governments	122,248
Notes Receivable - Short-term	837
Total current assets	<u>4,691,851</u>

Noncurrent assets:

Land	450,227
Buildings and improvements	799,722
Machinery, equipment and vehicles	1,482,586
Sewer and water lines	42,698,829
Less - Accumulated depreciation	<u>(25,749,782)</u>
Net property, plant and equipment	19,681,582
Special assessment receivable - Long-term	11,191
Unamortized bond issuance costs	<u>25,314</u>
Total noncurrent assets	<u>19,718,087</u>
Total assets	<u>24,409,938</u>

LIABILITIES

Current liabilities:

Accounts payable	160,113
Accrued payroll	13,745
Due to other funds	261,911
Bonds, notes, and loans payable	<u>335,000</u>
Total current liabilities	<u>770,769</u>

Noncurrent liabilities:

Compensated absences	77,808
Bonds, notes, and loans payable	<u>3,188,579</u>
Total noncurrent liabilities	<u>3,266,387</u>
Total liabilities	<u>4,037,156</u>

NET POSITION

Invested in capital assets, net of related debt	16,158,003
Restricted for prepaid expenses	83,000
Restricted for inventory	227,978
Unrestricted	<u>3,903,801</u>
Total net position	<u>\$ 20,372,782</u>

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

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2013

	WATER	SEWER	TOTAL
CHARGES FOR SERVICES:			
Usage charges	\$ 1,253,744	\$ 2,399,969	\$ 3,653,713
Inspection fees	-	930	930
Tap on charges and connection fees	71,725	5,100	76,825
Total charges for services	<u>1,325,469</u>	<u>2,405,999</u>	<u>3,731,468</u>
OTHER REVENUES:			
Penalties	19,388	39,922	59,310
Grinder pumps	-	24,750	24,750
Meters and curb boxes	4,368	-	4,368
Reimbursements from other governmental units	42,408	15,752	58,160
Interest - Tap on charges and connection fees	3,358	542	3,900
Other revenues	25,931	24,161	50,092
Materials and repairs	21	2,900	2,921
Total other revenues	<u>95,474</u>	<u>108,027</u>	<u>203,501</u>
TOTAL OPERATING REVENUES	<u>1,420,943</u>	<u>2,514,026</u>	<u>3,934,969</u>
ADMINISTRATION EXPENSES:			
Salaries and wages	184,053	184,053	368,106
Employees' social security	12,064	12,064	24,128
Employees' health insurance	39,624	39,624	79,248
Other post employment benefits - health insurance	44,653	44,626	89,279
Employees' life insurance	427	427	854
Retirement contribution	45,455	45,455	90,910
Unemployment taxes	16	16	32
Office supplies	115	25	140
Computer supplies and maintenance	15,119	7,593	22,712
Professional services	11,911	9,450	21,361
Telephone	2,199	2,182	4,381
Repairs and maintenance	2,736	2,716	5,452
Administration fee	85,000	85,000	170,000
Insurance	11,088	11,086	22,174
Mowing	3,674	2,944	6,618
Clothing/safety protection	800	963	1,763
Education and training	2,263	1,043	3,306
Fuel	10,306	9,848	20,154
Total administration expenses	<u>471,503</u>	<u>459,115</u>	<u>930,618</u>

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

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2013

	WATER	SEWER	TOTAL
PUMPING AND DISTRIBUTION EXPENSES:			
Depreciation	\$ 298,129	\$ 662,969	\$ 961,098
Grinder pumps	-	21,115	21,115
Supplies	126,788	64,682	191,470
Repairs and maintenance	127,618	239,119	366,737
Heat, light and power	131,759	117,121	248,880
Water/sewer purchases	25,913	875,250	901,163
Chemicals	124,323	-	124,323
Main tap expenses	67,715	103,275	170,990
Total pumping and distribution expenses	<u>902,245</u>	<u>2,083,531</u>	<u>2,985,776</u>
 TOTAL OPERATING EXPENSES	 <u>1,373,748</u>	 <u>2,542,646</u>	 <u>3,916,394</u>
 OPERATING INCOME (LOSS)	 <u>47,195</u>	 <u>(28,620)</u>	 <u>18,575</u>
NON OPERATING REVENUES (EXPENSES):			
Interest income	22,524	5,635	28,159
Interest expense	(86,620)	-	(86,620)
Amortization of bond issuance cost	(2,278)	-	(2,278)
Total nonoperating revenues (expenses)	<u>(66,374)</u>	<u>5,635</u>	<u>(60,739)</u>
 Change in net position	 <u><u>\$ (19,179)</u></u>	 <u><u>\$ (22,985)</u></u>	 <u>(42,164)</u>
 Total net position - beginning of year			 <u>20,414,946</u>
 Total net position - end of year			 <u><u>\$ 20,372,782</u></u>

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

SUMMIT TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2013

	<u>WATER AND SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,943,451
Payments to suppliers	(2,353,986)
Payments to employees	(652,836)
Payments (internal activity) from other funds	227,782
Payments from other governments	(6,798)
Net cash provided (used) by operating activities	<u>1,157,613</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(730,834)
Principal and interest paid on capital debt	(416,620)
Proceeds from notes receivable	2,325
Net cash provided (used) by capital and related financing activities	<u>(1,145,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	18,417
Net cash provided (used) by investing activities	<u>18,417</u>
Net increase (decrease) in cash and cash equivalents	30,901
Balances - beginning of year	<u>3,634,810</u>
Balances - end of year	<u><u>\$ 3,665,711</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 18,575
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	961,098
Change in assets and liabilities	
Receivables - net	8,482
Due from other governments	(6,798)
Inventories	21,115
Prepaid expenses	(83,000)
Accounts payable	10,638
Due to other funds	227,782
Accrued expenses	(279)
Net cash provided by operating activities	<u><u>\$ 1,157,613</u></u>

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

SUMMIT TOWNSHIP
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
MARCH 31, 2013

	MEDICAL INSURANCE FUND	SICK PAY FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 349,552	\$ 3,413	\$ 48,287
Investments	-	163,198	-
Accounts receivable	6,450	-	-
	<u>356,002</u>	<u>166,611</u>	<u>\$ 48,287</u>
LIABILITIES			
Due to other funds	\$ 11,765	\$ 8,293	\$ 2,516
Due to other governments	-	-	45,771
Total liabilities	<u>11,765</u>	<u>8,293</u>	<u>\$ 48,287</u>
NET POSITION			
Held in trust for employee benefits	<u>\$ 344,237</u>	<u>\$ 158,318</u>	

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

SUMMIT TOWNSHIP
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2013

	MEDICAL INSURANCE FUND	SICK PAY FUND
ADDITIONS		
Employer contributions	\$ 341,000	\$ -
Retirees medical reimbursements	1,721	-
Interest income	58	518
Total additions	<u>342,779</u>	<u>518</u>
DEDUCTIONS		
Other post employment benefits - health insurance	245,260	-
Benefits	14,788	11,957
Total deductions	<u>260,048</u>	<u>11,957</u>
Change in net position	82,731	(11,439)
Net position - beginning of year	<u>261,506</u>	<u>169,757</u>
Net position - end of year	<u><u>\$ 344,237</u></u>	<u><u>\$ 158,318</u></u>

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

SUMMIT TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

SUMMIT TOWNSHIP
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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting policies of Summit Township, Michigan (the "Township") conform to generally accepted accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by Summit Township, Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS:

Summit Township was organized in 1857 and is located in the center of Jackson County. The Township operates under an elected Board of Trustees and Officers and provides services to its more than 22,500 residents in many areas including law enforcement, fire protection, water and sewer operations, community enrichment and development, human services, and general administrative services.

B. REPORTING ENTITY:

Summit Township is a municipal corporation governed by an elected board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with these criteria, there are no component units included in this reporting entity.

C. 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 nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 revenue.

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

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

- 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 Township reports the following nonmajor funds:

- The Street Lighting Special Revenue Fund accounts for the costs of lighting certain portions of the Township, and the special assessments levied upon benefiting property owners to finance these districts.
- The Building Code Special Revenue Fund accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges. The measurement of financial activity focuses on net income measurement similar to the private sector.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township also reports the following fund types:

- The Expendable Trust Funds – Medical Insurance and Sick Pay Funds – account for assets held for individuals in a trustee capacity.
- The Agency Funds – Trust and Agency and Current Tax Fund – account for assets held for other governments and individuals in a trustee capacity.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues 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 levied by the Township.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for services provided. The Water and Sewer Fund also recognize the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY

1. DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts and short term investments with an original maturity of three months or less from the date of acquisition, as cash and cash equivalents. Financial instruments not meeting these criteria are reported as investments. The Township reports investments at their fair value.

2. RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as “advances 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 “internal balances”.

The Township has not established a reserve for uncollectible accounts based on its past experience.

The Township records various receivables which are listed and described as follows:

- a) Accounts - The accounts receivable in the general, special revenue, and enterprise funds are charges for services, which have been billed but not yet received.
- b) Main Tap Fees - The Township records the assessments levied for the water system for which payment will be made with an assessment on the property over a period of years.
- c) Connection Fees - The connection fees in the Enterprise Fund represent hook-up charges to the benefited parties for which payment will be made over a number of years.
- d) Notes Receivable - The Township records all notes in the appropriate funds as transactions occur.
- e) Accrued Interest - Accrued interest is recorded in the Special Revenue Funds and the Water and Sewer Fund for interest earned but not yet received.
- f) Special Assessment - The Township records the assessments levied for the sewer system for which payment will be made with an assessment on the property over a period of years.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

3. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

4. INVENTORIES

Inventories are valued at the lower of cost or market, the inventories in the business type activities consist of grinder pumps and water meters available for sale.

5. 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 Township policy as assets with an individual cost or value of \$5,000 or more when acquired and a useful life in excess of one year. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Water Systems	10-50
Machinery and Equipment	5-20
Office Equipment	5-10
Vehicles	5-20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

6. ACCRUED LEAVE PAYABLE

The Township policy is to accrue unused sick pay for all employees. However, an employee cannot accrue more than 75 days of sick time. At the end of the fiscal year, all excess accumulated sick leave is paid to the employees at their regular rate of pay. One week's vacation may be carried to the following year. Any unused vacation pay at the end of the fiscal year is paid to the employees at their regular rate of pay. A liability for accrued sick and vacation time has been established in the government-wide financial statements.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. These costs are reported net of accumulated amortization as bond issuance cost.

8. FUND EQUITY

In the fund financial statements, fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent:

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

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

Committed – amounts that are committed for specific purposes by the Township Board, as the Township's highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Township Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted or committed. The Township Board has the authority to assign amounts to be used for specific purposes.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

8. FUND EQUITY (Continued)

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances may also include negative balances in the governmental funds reporting resources restricted for specific programs.

9. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles generally accepted in the United States of America (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year. The approved budgets of the Township for these funds were adopted to the departmental level.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications and which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

Cash on hand	\$ 200
Insured (FDIC)	1,685,247
Uninsured	7,272,074
	<u>\$ 8,957,521</u>
Reported in financial statements:	
Governmental Funds:	
Cash and cash equivalents	\$ 1,269,103
Investments	3,458,257
Proprietary Funds (Business-type):	
Cash and cash equivalents	1,273,850
Investments	2,391,861
Fiduciary Funds	
Cash and cash equivalents	401,252
Investments	163,198
	<u>\$ 8,957,521</u>

The Township has invested cash in excess of current requirements in governmental pooled investment funds and certificates of deposit which is allowable under State Law.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS: (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township limits exposure risk to interest rate risk by having investments at short-term maturities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a Government's investment in a single issuer. The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

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

FUND	RECEIVABLES	FUND	PAYABLES
General	\$ 323,183	Water and Sewer	\$ 261,911
	-	- Building Code	38,698
	-	- Sick Pay	8,293
	-	- Medical Insurance	11,765
	-	- Current Tax	2,516
Total	<u>323,183</u>		<u>323,183</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/12	Additions	Disposals	Balance 3/31/13
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Capital assets being depreciated:				
Land improvements	54,805	32,897		87,702
Building and improvements	2,255,889	-		2,255,889
Machinery and equipment	604,980	7,500	(4,050)	608,430
Office equipment	108,945	14,206		123,151
Vehicle	1,178,271	-		1,178,271
Total capital assets being depreciated	4,202,890	54,603	(4,050)	4,253,443
Less - Accumulated Depreciation:				
Land improvements	(19,523)	(3,700)	-	(23,223)
Building and improvements	(908,809)	(55,439)	-	(964,248)
Machinery and equipment	(371,109)	(31,124)	1,732	(400,501)
Office equipment	(73,907)	(9,531)	-	(83,438)
Vehicle	(533,371)	(63,031)	-	(596,402)
Total accumulated depreciation	(1,906,719)	(162,825)	1,732	(2,067,812)
Total capital assets being depreciated, net	<u>\$ 2,354,193</u>	<u>\$ (108,222)</u>	<u>\$ (2,318)</u>	<u>\$ 2,243,653</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS: (Continued)

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/2012	Additions	Disposals	Balance 3/31/2013
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 309,566	\$ 140,661	\$ -	\$ 450,227
Capital assets being depreciated:				
Land improvements	29,223	-	-	29,223
Building and improvements	831,373	-	-	831,373
Machinery and equipment	1,387,131	95,454	(57,721)	1,424,864
Water and sewer systems	42,143,236	494,719	-	42,637,955
Total capital assets being depreciated	44,390,963	590,173	(57,721)	44,923,415
Less - Accumulated depreciation:				
Land improvements	(12,547)	(1,195)	-	(13,742)
Building and improvements	(167,632)	(22,907)	-	(190,539)
Machinery and equipment	(943,567)	(71,233)	57,721	(957,079)
Water and sewer systems	(23,664,938)	(865,762)	-	(24,530,700)
Total accumulated depreciation	(24,788,684)	(961,097)	57,721	(25,692,060)
Total capital assets being depreciated	<u>\$ 19,911,845</u>	<u>\$ (230,263)</u>	<u>\$ -</u>	<u>\$ 19,681,582</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - SPECIAL ASSESSMENTS RECEIVABLE:

The Township allowed residents within the special assessment districts the option of paying over a ten to eighteen year period. Interest is charged at 7 to 7.25% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected. The remaining balance of \$12,028 represents the current balance as of March 31, 2013.

NOTE 7 - LONG-TERM DEBT:

The Township issued bonds to finance the construction of a water system extension. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2013:

	Balance 3/31/2012	Repayments	Additional Debt	Balance 3/31/2013
Business-Type Activities:				
General Obligation bonds - Summit Township 1998 Michigan Municipal Bond Authority Michigan Drinking Water Revolving Fund Program - DPW Bonds issued through the State of Michigan. \$4,630,000 maturing semiannually in annual amounts ranging from \$180,000 to \$280,000, at an interest rate of 2.50%	\$ 2,045,000	\$ (235,000)	\$ -	\$ 1,810,000
General Obligation bonds - Summit Township 2007 Michigan Municipal Bond Authority Michigan Drinking Water Revolving Fund Program - DPW Bonds issued through the State of Michigan. \$2,173,579 maturing semiannually in annual amounts ranging from \$90,000 to \$130,000, at an interest rate of 2.125%	1,808,579	(95,000)	-	1,713,579
Total Business-Type Activities	<u>\$ 3,853,579</u>	<u>\$ (330,000)</u>	<u>\$ -</u>	<u>\$ 3,523,579</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT: (Continued)

Presented below is a summary of debt service requirements to maturity by years:

Year Ending March 31	Business-Type Activities	
	Principle	Interest
2014	\$ 335,000	\$ 78,664
2015	345,000	70,581
2016	360,000	53,769
2017	370,000	52,601
2018	380,000	40,389
Thereafter	1,733,579	172,224
Total	<u>\$ 3,523,579</u>	<u>\$ 468,228</u>

NOTE 8 - PROPERTY TAXES:

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended March 31, 2013, was 1.8168 mills, levied on property with a Taxable Value of \$578,630,402.

NOTE 9 - PENSION PLAN:

Defined Benefit Pension Plan:

Substantially all of Summit Township's employees participate in the Michigan Municipal Employee's Retirement System ("the System"), a multiple employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2012 was \$1,553,902.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN: (Continued)

All Summit Township's full time salaried, union, clerical, and all Board Members are eligible to participate in the System. The System's retirement eligibility, vesting, and benefits are determined as follows:

	NON-UNION	UNION
Retirement Eligibility	Age 60/55 with 8/20 or more years of credited service, respectively	Age 60/50 with 8/25 or more years of credited service, respectively
Vesting	After 8 years of service	After 8 years of service
Benefit Formula	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.

The System also provides death and disability benefits. Benefits are established by state statute. Benefit D-2 was adopted to provide a retirement allowance for a duty-connected disability.

Non-union employees hired prior to April 1, 2008, are not required to make contributions to the System. Non-union employees hired after April 1, 2008, are required to contribute 2.05% of their annual payroll.

The "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN: (Continued)

The Actuarial Accrued Liability for Summit Township at December 31, 2012, (the most recent date available) is determined through an actuarial valuation performed as of that date. Significant actuarial assumptions used in determining the pension benefit obligation included (a) a rate of return on the investment of present and future assets of 8.0% and, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation.

At December 31, 2012, for Summit Township, the Actuarial Accrued Liability was \$3,424,773 determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ 6,467,750
Terminated employees not yet receiving benefits	97,614
Current employees -	
Accumulated employee contributions, including	
allocated investment income	91,260
Employer financed	4,200,828
Total Actuarial Accrued Liability	<u>10,857,452</u>
Net assets available for benefits, at actuarial value	
(Market Value is \$6,057,244)	<u>7,432,679</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 3,424,773</u></u>

During the year ended December 31, 2012, the plan for Summit Township experienced a net increase of \$335,472 in the Unfunded Actuarial Liability. The combined change in the Unfunded Actuarial Liability resulting from benefit changes and revisions in actuarial assumptions is \$0.

Contributions Required and Contributions Made:

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The payments for the fiscal year ended March 31, 2013, were determined using an attained age actuarial funding method. Unfunded Actuarial Accrued Liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the Unfunded Actuarial Liability.

The annual required and actual contribution as of December 31, 2012, was \$384,576.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN: (Continued)

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the plan's year ended December 31 is presented as follows:

Year	Net Assets Avail- able for Benefits as Percentages of the UAL	UAL as Percent- ages of Annual Payroll	Employer Contributions as Percentages of Annual Payroll	
			Union	Non-Union
2003	79.00%	91.00%	15.32%	18.70%
2004	77.00%	110.00%	17.11%	19.99%
2005	79.00%	137.00%	19.66%	20.81%
2006	77.00%	119.00%	18.38%	19.83%
2007	78.00%	117.00%	18.90%	19.48%
2008	75.00%	148.00%	21.44%	13,387#
2009	74.00%	160.00%	20.68%	12,489
2010	72.00%	196.00%	20.71%	12,072
2011	70.00%	212.00%	19.85%	13,228
2012	69.00%	220.00%	20.94%	14,896

Beginning with this valuation, a monthly dollar contribution is shown because the division will have on hires.

The report of the annual actuarial valuation at December 31, 2012, covering the participation of Summit Township in the System is available upon request at the Township's office. Information regarding the Michigan Employee Retirement System Financial Statements is also available at the Township's office.

Ten-year historical trend information is included:

REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS

Valuation Date	Accrued Liabilities	Valuation Assets	Percent Funded (2)/(1)	Unfunded (Overfunded) UAL (1)-(2)	Annual Payroll	UAL as a % of annual Payroll (4)/(5)
December 31						
2003	\$ 6,180,929	\$ 4,868,054	79%	\$ 1,312,875	\$ 1,447,022	91%
2004	6,760,956	5,227,445	77%	1,533,511	1,400,340	110%
2005	6,968,812	5,507,846	79%	1,460,966	1,067,337	137%
2006	7,728,462	5,938,086	77%	1,790,376	1,499,371	119%
2007	8,203,161	6,413,294	78%	1,789,867	1,528,316	117%
2008	8,926,431	6,653,837	75%	2,272,594	1,536,868	148%
2009	9,282,688	6,852,029	74%	2,430,659	1,521,502	160%
2010	9,771,208	7,044,096	72%	2,727,112	1,391,249	196%
2011	10,320,344	7,231,043	70%	3,089,301	1,458,327	212%
2012	10,857,452	7,432,679	69%	3,424,773	1,553,902	220%

Note: Actuarial assumptions for MERS valuations were revised for 2012 valuations. Total required life liabilities are reflected in MERS UAL figures beginning in 1984.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – 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; injuries to employees; and natural disasters. During the year ended March 31, 2013, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

NOTE 11 – OTHER POSTRETIREMENT BENEFITS:

The Township currently provides postretirement health benefits for certain retirees and their spouses, as per the requirements of a Township Board resolution. The Township pays 100 percent of the premiums of health coverage for employees and their spouses who retire with 20 years of service and have reached the age of 55 or combination a of service and age equaling 80 with a minimum of 15 years of service. Surviving spouses are covered at a single person rate for life or until remarried.

For the year ended March 31, 2013, Summit Township has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. The valuation computes an annual required contribution (ARC), which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities over a period not to exceed thirty years. The valuation's computed contribution is summarized as follows:

Annual required contribution (recommended)	<u><u>\$ 324,544</u></u>
Amount contributed:	
Water and Sewer	\$ 79,284
Medical Insurance	<u>245,260</u>
Total contributed	<u><u>\$ 324,544</u></u>

The Township contributed 100% of the ARC for the year ended March 31, 2013.

The funding progress of the Plan as of the most recent valuation date is as follows:

Valuation as of January 1, 2011:

Present Value of Future Benefits:

Retirees and Beneficiaries	\$ 2,950,480
Active Members	<u>2,310,283</u>
Total Present Value of Future Benefits	5,260,763
Present Value of Future Normal Costs	<u>772,809</u>
Actuarial Accrued Liability	4,487,954
Actuarial Value of Assets	<u>916,150</u>
Unfunded Actuarial Accrued Liability	<u><u>3,571,804</u></u>

Funded Ratio	20.41%
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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – OTHER POSTRETIREMENT BENEFITS: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funding status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections for benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2010, actuarial valuation, the actuarial assumptions include the following:

Investment Rate of Return	7.50%
ARC calculated increase - annually	4.50%

SUMMIT TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED MARCH 31, 2013

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:				
STATE SHARED REVENUES:				
Sales tax	\$ 1,612,100	\$ 1,645,600	\$ 1,634,817	\$ (10,783)
FINES AND FORFEITURES:				
Police fines	28,600	16,700	19,147	2,447
INTEREST AND RENTALS:				
Interest on investments	30,500	21,100	23,646	2,546
TAXES AND PENALTIES:				
Current property taxes	1,059,000	1,051,200	1,053,998	-
Delinquent property taxes	1,000	1,000	751	-
Interest and penalties	14,900	14,500	14,517	-
Administrative fees	192,000	192,700	192,870	-
Total	1,266,900	1,259,400	1,262,136	2,736
LICENSES AND FEES:				
Franchise fees	200,000	215,000	214,915	-
Trailer park fees	1,000	1,000	1,087	-
Liquor licenses	10,000	10,300	10,464	-
Zoning fees and variance applications	6,500	5,000	4,851	-
Telecommunication fees	10,500	10,900	10,936	-
Total	228,000	242,200	242,253	53
OTHER:				
Administrative fees - From other governmental units	28,800	28,800	28,855	-
Administrative fees - From other funds	170,000	170,000	170,000	-
Sewer Letters	4,200	-	-	-
Other	87,200	58,700	46,807	-
Total	290,200	257,500	245,662	(11,838)
Total Revenue	3,456,300	3,442,500	3,427,661	(14,839)

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

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	23,736	-
Employees' social security	-	-	2,143	-
Employees' health insurance	-	-	10,490	-
Employees' life insurance	-	-	526	-
Retirement contributions	-	-	3,452	-
Office supplies	-	-	950	-
Professional services	-	-	25,067	-
Printing and publishing	-	-	3,827	-
Education and training	-	-	282	-
Insurance and bonds	-	-	20,460	-
Membership and dues	-	-	12,199	-
Total legislative	109,700	115,500	103,132	12,368
GENERAL GOVERNMENT:				
TOWNSHIP SUPERVISOR:				
Salaries and wages	-	-	27,201	-
Employees' social security	-	-	2,042	-
Employees' health insurance	-	-	3,072	-
Employees' life insurance	-	-	142	-
Retirement contributions	-	-	7,845	-
Education and training	-	-	242	-
Insurance and bonds	-	-	32	-
Membership and dues	-	-	45	-
Total township supervisor	38,700	41,200	40,621	579
ELECTIONS:				
Salaries and wages	-	-	17,718	-
Office supplies	-	-	1,720	-
Printing and publishing	-	-	5,000	-
Education and training	-	-	1,340	-
Maintenance supplies	-	-	9,670	-
Total elections	48,000	38,400	35,448	2,952

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

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
ASSESSING:				
Salaries and wages	-	-	137,203	-
Employees' social security	-	-	4,810	-
Employees' health insurance	-	-	12,773	-
Retirement contribution	-	-	18,357	-
Employees' life insurance	-	-	142	-
Office supplies	-	-	3,217	-
Printing and publishing	-	-	549	-
Insurance and bonds	-	-	392	-
Education and training	-	-	451	-
Tax roll preparation	-	-	6,888	-
Computer supplies	-	-	4,283	-
Membership and dues	-	-	150	-
Lease	-	-	3,600	-
Total assessing	191,100	194,900	192,815	2,085
TOWNSHIP CLERK:				
Salaries and wages	-	-	109,474	-
Employees' social security	-	-	8,315	-
Employees' health insurance	-	-	27,682	-
Employees' life insurance	-	-	427	-
Retirement contribution	-	-	30,135	-
Membership and dues	-	-	25	-
Office supplies	-	-	1,462	-
Education and training	-	-	651	-
Insurance and bonds	-	-	204	-
Total township clerk	175,500	183,700	178,375	5,325

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

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
TOWNSHIP TREASURER:				
Salaries and wages	-	-	81,735	-
Employees' social security	-	-	6,335	-
Employees' health insurance	-	-	13,886	-
Employees' life insurance	-	-	263	-
Retirement contribution	-	-	17,877	-
Office supplies	-	-	12,695	-
Computer supplies	-	-	3,454	-
Insurance and bonds	-	-	259	-
Education and training	-	-	113	-
Membership and dues	-	-	60	-
Lease	-	-	3,600	-
Total township treasurer	139,700	143,000	140,277	2,723
TOWNSHIP HALL AND GROUNDS:				
Office supplies	-	-	5,490	-
Maintenance supplies	-	-	7,290	-
Public utilities	-	-	16,848	-
Telephone	-	-	4,344	-
Equipment rental	-	-	2,299	-
Computer supplies	-	-	41,110	-
Building demolition	-	-	3,000	-
Maintenance of grounds	-	-	23,756	-
Capital outlay	-	-	47,103	-
Total township hall and grounds	160,300	161,200	151,240	9,960
Total General Government	753,300	762,400	738,776	23,624
PUBLIC SAFETY:				
POLICE DEPARTMENT:				
Salaries and wages	-	-	498,517	-
Employees' social security	-	-	1,163	-
Office supplies	-	-	99	-
Professional services	-	-	11,374	-
Gas and mileage	-	-	4,090	-
Insurance and bonds	-	-	55	-
Telephone	-	-	492	-
Total police department	523,100	518,100	515,790	2,310

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

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY: (Continued)				
FIRE DEPARTMENT:				
Salaries and wages	-	-	914,902	-
Employees' social security	-	-	65,957	-
Employees' health insurance	-	-	132,728	-
Employees' life insurance	-	-	1,467	-
Retirement contribution	-	-	170,964	-
Membership and dues	-	-	25	-
Clothing and safety gear	-	-	7,827	-
Office supplies	-	-	515	-
Uniforms	-	-	3,386	-
Maintenance supplies	-	-	40,163	-
Vehicle maintenance	-	-	45,747	-
Radio maintenance	-	-	4,362	-
Insurance and bonds	-	-	32,060	-
Public utilities	-	-	11,629	-
Telephone	-	-	2,382	-
Computer supplies	-	-	2,627	-
Education and training	-	-	15,064	-
Employee physicals	-	-	5,213	-
Gas and mileage	-	-	21,869	-
Lease	-	-	3,600	-
Capital outlay	-	-	7,500	-
Total fire department	<u>1,587,600</u>	<u>1,507,100</u>	<u>1,489,987</u>	<u>17,113</u>
Total Public Safety	<u>2,110,700</u>	<u>2,025,200</u>	<u>2,005,777</u>	<u>19,423</u>
OTHER FUNCTIONS:				
Zoning	-	-	54,053	-
Cemetery	-	-	5,000	-
Sanitary landfill	-	-	7,756	-
Roads and streets	-	-	892	-
Board of appeals	-	-	811	-
Planning commission	-	-	2,638	-
Board of review	-	-	1,960	-
Recreation committee	-	-	1,368	-
Mowing	-	-	8,825	-
Other	-	-	18,537	-
Total other functions	<u>92,300</u>	<u>106,000</u>	<u>101,840</u>	<u>4,160</u>
Total Expenditures	<u>3,066,000</u>	<u>3,009,100</u>	<u>2,949,525</u>	<u>59,575</u>

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

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Excess (deficiency) of revenues over (under) expenditures	390,300	433,400	478,136	44,736
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS OUT:				
Medical Insurance fund	(250,000)	(258,000)	(258,000)	-
Street Light fund	(15,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	(265,000)	(268,000)	(268,000)	-
Net change in fund balance	125,300	165,400	210,136	44,736
Fund Balance - Beginning of year	4,828,905	4,828,905	4,828,905	-
Fund Balance - End of year	\$ 4,954,205	\$ 4,994,305	\$ 5,039,041	\$ 44,736

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

SUMMIT TOWNSHIP

ADDITIONAL INFORMATION

FISCAL YEAR ENDED MARCH 31, 2013

SUMMIT TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2013

	STREET LIGHTS	BUILDING CODE	TOTAL
ASSETS			
Cash and cash equivalents	\$ 149,597	\$ 154,532	\$ 304,129
Accounts receivable	-	180	180
Due from Jackson County	17,823	-	17,823
	<u>17,823</u>	<u>-</u>	<u>17,823</u>
Total assets	<u>\$ 167,420</u>	<u>\$ 154,712</u>	<u>\$ 322,132</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 15,334	\$ 1,147	\$ 16,481
Accrued payroll	-	2,972	2,972
Due to other funds	-	38,698	38,698
Total liabilities	<u>15,334</u>	<u>42,817</u>	<u>58,151</u>
Fund balance restricted for:			
Public Works - Street lights	152,086	-	152,086
Public Safety - Building department	-	111,895	111,895
	<u>152,086</u>	<u>111,895</u>	<u>263,981</u>
Total liabilities and fund balance	<u>\$ 167,420</u>	<u>\$ 154,712</u>	<u>\$ 322,132</u>

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

SUMMIT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
MARCH 31, 2013

	STREET LIGHTS	BUILDING CODE	TOTAL
REVENUES:			
Property taxes	\$ 208,864	\$ -	\$ 208,864
Permit fees	-	126,524	126,524
Interest	140	77	217
Other	-	12,320	12,320
Total revenues	<u>209,004</u>	<u>138,921</u>	<u>347,925</u>
EXPENDITURES:			
Salaries and wages	-	101,899	101,899
Employees' social security	-	6,541	6,541
Employees' health insurance	-	3,500	3,500
Employees' life insurance	-	172	172
Retirement contribution	-	23,795	23,795
Office supplies	-	263	263
Memberships and dues	-	835	835
Insurance and bonds	-	2,512	2,512
Public works and utilities	184,391	825	185,216
Telephone	-	1,127	1,127
Education and training	-	4,180	4,180
Computer supplies	-	625	625
Lease	-	3,600	3,600
Total expenditures	<u>184,391</u>	<u>149,874</u>	<u>334,265</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,613</u>	<u>(10,953)</u>	<u>13,660</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,000	-	10,000
Operating transfers (out)	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	34,613	(10,953)	23,660
FUND BALANCE - Beginning of year	<u>117,473</u>	<u>122,848</u>	<u>240,321</u>
FUND BALANCE - End of year	<u>\$ 152,086</u>	<u>\$ 111,895</u>	<u>\$ 263,981</u>

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

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2013

<u>WATER AND SEWER ENTERPRISE FUND</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>
GENERAL OBLIGATION BONDS:			
Michigan State Revolving Loan Fund (Township of Summit) Bonds	9/29/1998	\$ 4,630,000	2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			2.50%
			Total
Michigan State Revolving Loan Fund (Township of Summit) Bonds	6/28/2007	\$ 2,173,579	2.125%
			2.125%
			2.125%
			2.125%
			Subtotal

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

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2013

WATER AND SEWER ENTERPRISE FUND	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE
DATE OF MATURITY	PRINCIPAL DUE	INTEREST DUE	FISCAL YEAR TOTAL
10/1/2013	\$ 240,000	\$ 22,625	\$ 282,250
4/1/2014		19,625	
10/1/2014	245,000	19,625	281,187
4/1/2015		16,562	
10/1/2015	250,000	16,563	280,000
4/1/2016		13,437	
10/1/2016	260,000	13,438	283,625
4/1/2017		10,187	
10/1/2017	265,000	10,188	282,063
4/1/2018		6,875	
10/1/2018	270,000	6,875	280,375
4/1/2019		3,500	
10/1/2019	280,000	3,500	283,500
	<u>\$ 1,810,000</u>	<u>\$ 163,000</u>	<u>\$ 1,973,000</u>
10/1/2013	\$ -	\$ 18,207	\$ 18,207
4/1/2014	95,000	18,207	113,207
10/1/2014		17,197	17,197
4/1/2015	100,000	17,197	117,197
10/1/2015		16,135	16,135
4/1/2016	100,000	16,135	116,135
10/1/2016		15,072	15,072
4/1/2017	110,000	15,072	125,072
10/1/2017		13,904	13,904
	<u>405,000</u>	<u>147,126</u>	<u>552,126</u>

WATER AND SEWER ENTERPRISE FUND

AMOUNT
OF ISSUE

INTEREST
RATE

[illegible]

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

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2013

<u>WATER AND SEWER ENTERPRISE FUND</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>
	405,000	147,126	552,126
4/1/2018	110,000	13,904	123,904
10/1/2018		12,735	12,735
4/1/2019	110,000	12,735	122,735
10/1/2019		11,566	11,566
4/1/2020	110,000	11,566	121,566
10/1/2020		10,397	10,397
4/1/2021	115,000	10,397	125,397
10/1/2021		9,176	9,176
4/1/2022	115,000	9,176	124,176
10/1/2022		7,954	7,954
4/1/2023	120,000	7,954	127,954
10/1/2023		6,679	6,679
4/1/2024	120,000	6,679	126,679
10/1/2024		5,404	5,404
4/1/2025	125,000	5,404	130,404
10/1/2025		4,076	4,076
4/1/2026	125,000	4,076	129,076
10/1/2026		2,747	2,747
4/1/2027	130,000	2,747	132,747
10/1/2027		1,365	1,365
4/1/2028	128,579	1,365	129,944
	<u>\$ 1,713,579</u>	<u>\$ 305,228</u>	<u>\$ 2,018,807</u>
	<u>\$ 3,523,579</u>	<u>\$ 468,228</u>	<u>\$ 3,991,807</u>

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FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, CPA (1961-2006)

MEMBERS:

AMERICAN INSTITUTE OF
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

COMMUNICATION OF AUDITOR/TOWNSHIP RESPONSIBILITY

Township Board
Summit Township
Jackson County, Michigan

We have audited the financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summit Township for the year ended March 31, 2013, and have issued our report thereon dated August 20, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 1, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by Summit Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Township of Summit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 the financial statements was:

The depreciable lives of the capital assets. We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 August 30, 2013.

Township Board
Summit Township
Page Three

Management Consultations with Other Independent Accountants

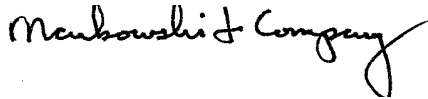
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Summit Township’s financial statements or a determination of 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

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

This information is intended solely for the use of the Township Board and management of Summit Township and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs
August 20, 2013

MARKOWSKI & COMPANY

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AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Summit Township Board
Jackson, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summit 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 Summit 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 Summit Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Summit Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Summit Township's internal control to be significant deficiencies:

Segregation of Duties

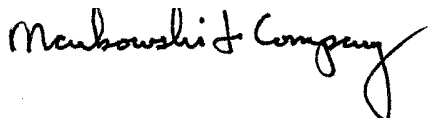
Because of the limited size of Summit Township's accounting staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. Township management needs to continue to exercise appropriate management oversight to help compensate for the lack of staff.

Summit Township Board
Jackson, Michigan
Page 2

Building Department

The Building Department utilizes permit software in order to issue and maintain records for the Building Department. We found, however, that the records in the software program were not being maintained on a current basis. We recommend that the Building Department utilize and maintain accurate building permit records in the future.

This communication is intended solely for the information and use of management, 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.

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

Markowski & Company, CPAs
August 30, 2013