

***TOWNSHIP OF ALMONT***  
***Lapeer County, Michigan***

***REPORT ON FINANCIAL STATEMENTS***  
***(with required supplementary and***  
***supplementary information)***  
***June 30, 2012***

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October 31, 2012

## INDEPENDENT AUDITOR'S REPORT

Township of Almont  
Lapeer County  
Almont, MI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Almont as of and for the year ended June 30, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Almont's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Almont as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

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As management of the Township of Almont, we offer readers of the Township of Almont financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2012.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$4,402,667 (net assets). Of this amount, \$740,659 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$418,399.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,476,033, an increase of \$361,062 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$734,363, or 176 percent of total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works and other functions.

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

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

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

The Township maintains five individual governmental funds. Information is presented separately in governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the major special revenue funds to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 6 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 through 15 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's general fund and revenue budget. Required supplementary information can be found on pages 16 through 20 of this report.

Township of Almont  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2012

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**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$4,402,667 at the close of the most recent fiscal year.

A portion of the Township's assets (65 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that is 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 Township does not have any outstanding debt.

**Township of Almont's Net Assets**

	<u>Governmental activities</u> June 30, 2012	<u>Governmental activities</u> June 30, 2011
Current assets	\$ 1,608,922	\$ 1,194,077
Capital assets	2,926,634	3,088,442
Total assets	<u>\$ 4,535,556</u>	<u>\$ 4,282,519</u>
Current liabilities	\$ 132,889	\$ 419,643
Total liabilities	<u>\$ 132,889</u>	<u>\$ 419,643</u>
Net assets:		
Invested in capital assets	\$ 2,926,634	\$ 2,869,297
Restricted	735,374	556,379
Unrestricted	740,659	437,200
Total net assets	<u>4,402,667</u>	<u>3,862,876</u>
Total liabilities and net assets	<u>\$ 4,535,556</u>	<u>\$ 4,282,519</u>

The balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

Township of Almont  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2012

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**Governmental activities.** Governmental activities increased the Township's net assets by approximately \$418,399. Key elements of this increase are as follows:

**Township of Almont's Changes in Net Assets**

	<u>Governmental activities</u> <u>June 30, 2012</u>	<u>Governmental activities</u> <u>June 30, 2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 23,451	\$ 49,021
General revenues:		
Property taxes	958,922	894,342
State shared revenue	279,647	212,740
Gain on disposal of assets	167,213	-
Investment earnings	2,889	6,960
Other	24,258	65,573
Total revenues	<u>1,456,380</u>	<u>1,228,636</u>
Expenses:		
General government	309,322	311,678
Public safety	58,462	655,789
Public works	528,886	191,150
Depreciation	134,521	-
Interest	6,790	16,583
Total expenses	<u>1,037,981</u>	<u>1,175,200</u>
Increase in net assets	<u>418,399</u>	<u>53,436</u>
Net assets, beginning of year	3,862,876	3,809,439
Prior period adjustment - Note 12	121,392	-
Net assets, end of year	<u>\$ 4,402,667</u>	<u>\$ 3,862,875</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Township of Almont  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2012

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As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$1,476,033, an increase of \$482,454 in comparison with the prior year.

Approximately 50 percent of this total amount (\$734,363) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$734,363.

**General Fund Budgetary Highlights**

The final amended budget was changed from the original budget, and the significant fluctuations can be summarized as follows:

- \$1,300 increase in ordinance enforcement expenditures
- \$16,000 increase in public works – roads & drains expenditures

The main reason for the changes resulted from higher than estimated costs.

**Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$2,926,634 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and office equipment and furniture.

Major capital asset events during the current fiscal year included the following:

**Township of Almont's Capital Assets**  
(net of depreciation)

	<u>Governmental activities</u> <u>June 30, 2012</u>
Land	\$ 352,010
Buildings and Improvements	1,577,579
Machinery and equipment	997,045
	<u>\$ 2,926,634</u>

Additional information on the Township's capital assets can be found in Note 4 on page 13 of this report.

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

Township of Almont's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township has a conservative and financially prudent budget for the fiscal year 2013 that also promotes and funds numerous project objectives.

### **Request for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Clerk, 819 N. Main Street Almont, MI 48003.

***BASIC FINANCIAL STATEMENTS***

**TOWNSHIP OF ALMONT**  
Statement of Net Assets  
June 30, 2012

	<b>Governmental Activities</b>
<b>ASSETS</b>	
CURRENT ASSETS	
Cash	\$ 1,264,126
Accounts Receivable	194,500
Due From Other Governmental Units	90,941
Due From Agency Fund	53,059
Prepaid Expenditures	6,296
TOTAL CURRENT ASSETS	1,608,922
CAPITAL ASSETS	
Land	352,010
Capital assets, net of accumulated depreciation	2,574,624
TOTAL CAPITAL ASSETS	2,926,634
<b>TOTAL ASSETS</b>	<b>\$ 4,535,556</b>
 <b>LIABILITIES</b>	
CURRENT LIABILITIES	
Accounts Payable	\$ 113,297
Accrued Wages	17,417
Other Current Liabilities	2,175
TOTAL CURRENT LIABILITIES	132,889
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,926,634
Restricted	735,374
Unrestricted	740,659
TOTAL NET ASSETS	4,402,667
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,535,556</b>

The accompanying footnotes are an integral part of the financial statements

**TOWNSHIP OF ALMONT**  
Statement of Activities  
June 30, 2012

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program revenues</b>	<b>Net (expense) revenue and changes in net assets</b>
		<b>Charges for services</b>	<b>Total governmental activities</b>
Primary government			
Governmental activities			
General government	\$ 309,322		\$ (309,322)
Public safety	58,462		(58,462)
Public works	528,886	\$ 23,451	(505,435)
Interest on long-term debt	6,790		(6,790)
Depreciation	134,521		(134,521)
Total governmental activities	\$ 1,037,981	\$ 23,451	\$ (1,014,530)
General revenues			
Taxes			\$ 958,922
Intergovernmental			279,647
Investment income			2,889
Gain on disposal of assets			167,213
Other revenues			24,258
Total general revenues			1,432,929
Changes in net assets			418,399
Net assets, beginning of year			3,862,876
Prior period adjustment - Note 12			121,392
Net assets, end of year			\$ 4,402,667

The accompanying footnotes are an integral part of the financial statements

**TOWNSHIP OF ALMONT**  
 Combined Balance Sheet -  
 Governmental Fund Types  
 June 30, 2012

	<u>MAJOR SPECIAL REVENUE FUNDS</u>				<u>FIRE ASSESSMENT CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>POLICE DEPARTMENT FUND</u>	<u>BUILDING DEPARTMENT FUND</u>		
<b><u>ASSETS</u></b>						
Cash	\$ 639,644	\$ 373,799	\$ 222,428	\$ 17,232	\$ 11,023	\$ 1,264,126
Accounts Receivable	-	194,500	-	-	-	194,500
Due from Other Governmental Units	90,941	-	-	-	-	90,941
Due from other funds	5,245	7,536	-	-	-	12,781
Due from agency fund	53,059	-	-	-	-	53,059
Prepaid expenditures	1,889	4,407	-	-	-	6,296
<b>TOTAL ASSETS</b>	<b><u>\$ 790,778</u></b>	<b><u>\$ 580,242</u></b>	<b><u>\$ 222,428</u></b>	<b><u>\$ 17,232</u></b>	<b><u>\$ 11,023</u></b>	<b><u>\$ 1,621,703</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>						
Liabilities:						
Accounts payable	\$ 32,186	\$ 6,340	\$ 74,771	-	-	\$ 113,297
Accrued wages	12,629	1,811	-	\$ 2,977	-	17,417
Due to other funds	7,536	45	-	5,200	-	12,781
Other current liabilities	2,175	-	-	-	-	2,175
Total Liabilities	54,526	8,196	74,771	8,177	-	145,670
Fund Balances:						
Nonspendable for prepaids	1,889	4,407	-	-	-	6,296
Restricted For:						
Capital projects	-	-	-	-	\$ 11,023	11,023
Public safety	-	567,639	147,657	-	-	715,296
Building inspection	-	-	-	9,055	-	9,055
Unassigned	734,363	-	-	-	-	734,363
Total Fund Balance	736,252	572,046	147,657	9,055	11,023	1,476,033
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 790,778</u></b>	<b><u>\$ 580,242</u></b>	<b><u>\$ 222,428</u></b>	<b><u>\$ 17,232</u></b>	<b><u>\$ 11,023</u></b>	<b><u>\$ 1,621,703</u></b>
Total governmental fund balances						\$ 1,476,033
Amounts reported for governmental activities in the statement of net assets are different because						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds						
Cost of the capital assets					\$ 4,036,556	
Less accumulated depreciation					(1,109,922)	
						2,926,634
Net assets of governmental activities						<u>\$ 4,402,667</u>

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

**TOWNSHIP OF ALMONT**  
Statement of Revenues, Expenditures and Changes In Fund Balances  
Governmental Funds  
Fund Types for the Year Ended June 30, 2012

	<u>MAJOR SPECIAL REVENUE FUNDS</u>				<u>FIRE ASSESSMENT CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>POLICE DEPARTMENT FUND</u>	<u>BUILDING DEPARTMENT FUND</u>		
REVENUES:						
Property taxes	\$ 280,382	\$ 202,362	\$ 238,120	\$ 39,781	\$ 198,277	\$ 958,922
State shared revenue	279,647					279,647
Charges for services	10,333	13,118	-	-		23,451
Interest income	1,448	771	542	37	91	2,889
Other revenues	23,583	675	-	-		24,258
<b>TOTAL REVENUES</b>	<u>595,393</u>	<u>216,926</u>	<u>238,662</u>	<u>39,818</u>	<u>198,368</u>	<u>1,289,167</u>
EXPENDITURES:						
General government	296,939					296,939
Public safety	58,462					58,462
Public works	49,949	138,636	302,800	37,501		528,886
Capital outlay	12,383					12,383
Debt Service:						
Principal					219,145	219,145
Interest					6,790	6,790
<b>TOTAL EXPENDITURES</b>	<u>417,733</u>	<u>138,636</u>	<u>302,800</u>	<u>37,501</u>	<u>225,935</u>	<u>1,122,605</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>177,660</u>	<u>78,290</u>	<u>(64,138)</u>	<u>2,317</u>	<u>(27,567)</u>	<u>166,562</u>
OTHER FINANCING SOURCES (USES):						
Insurance Proceeds	-	194,500	-	-	-	194,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>194,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>177,660</u>	<u>272,790</u>	<u>(64,138)</u>	<u>2,317</u>	<u>(27,567)</u>	<u>361,062</u>
FUND BALANCE - JULY 1	437,200	299,256	211,795	6,738	38,590	993,579
PRIOR PERIOD ADJUSTMENT - NOTE 12	121,392	-	-	-	-	121,392
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 736,252</u>	<u>\$ 572,046</u>	<u>\$ 147,657</u>	<u>\$ 9,055</u>	<u>\$ 11,023</u>	<u>\$ 1,476,033</u>

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

**TOWNSHIP OF ALMONT**  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes In Fund Balances of  
 Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2012

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 361,062</b>
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(134,521)
Book value of assets disposed	(27,287)
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available.	
Payment on debt	219,145
<b>Change in net assets of governmental activities</b>	<b>\$ 418,399</b>

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

**TOWNSHIP OF ALMONT**  
Statement of Assets and Liabilities  
Fiduciary Fund  
June 30, 2012

	<b>FIDUCIARY FUND TYPES</b>		<b>TOTALS JUNE 30, 2012</b>
	<b>AGENCY FUNDS</b>		
	<b>TRUST &amp; AGENCY FUND</b>	<b>CURRENT TAX COLLECTION FUND</b>	
<b><u>ASSETS</u></b>			
Cash in Bank	\$ 5,687	\$ 47,691	\$ 53,378
Due from Other Governmental Units	-	2,558	2,558
<b>TOTAL ASSETS</b>	<b><u>\$ 5,687</u></b>	<b><u>\$ 50,249</u></b>	<b><u>\$ 55,936</u></b>
<b><u>LIABILITIES</u></b>			
Performance Bonds Payable	\$ 2,877	-	\$ 2,877
Due to Other Funds	2,810	\$ 50,249	53,059
<b>TOTAL LIABILITIES</b>	<b><u>\$ 5,687</u></b>	<b><u>\$ 50,249</u></b>	<b><u>\$ 55,936</u></b>

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

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

**A. REPORTING ENTITY:**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Township of Almont, Lapeer County include the accounts of all Township operations. The Township's major operations include fire protection, road maintenance, and general administrative services. The Township has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Township.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, special assessments and intergovernmental revenues.

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

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

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

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

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

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

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current periods. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**General Fund** – This is the government’s primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund** – This fund accounts for the operation of the fire department and provides for the accumulation of funds for equipment replacement. Funding is provided primarily through a special assessment.

**Police Department Fund** – This fund accounts for the payment of the contract to the Village for police protection and the purchase of equipment. Funding is provided primarily through a special assessment.

**Building Department Fund** – This fund is set up for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

**Fire Assessment Capital Project Fund** – This fund is set up to account for the purchase of land for the fire hall and the various construction associated with the fire hall. Funding is provided primarily through a special assessment. Although not a major fund, this fund will be reported as a major fund in the financial statements to be consistent with prior years.

The government reports the following other non-major funds:

The government reports as fiduciary funds, the Current Tax Collection Fund as well as the Trust and Agency Fund. The Current Tax Collection Fund is utilized to account for the Township’s collection of taxes for other governmental units and the Trust and Agency Fund accounts for assets that belong to other funds, governmental units, or individuals and therefore are not represented in the governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues 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 and the public safety millage. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, the unrestricted resources, as they are needed.

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**D. ASSETS, LIABILITIES AND NET ASSETS**

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. The Township's deposits and investments are in accordance with statutory authority.

State statutes authorize the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Receivables

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

4. Property Tax Revenues

Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year. The Township levied the following taxes:

General Government Services	1.3812 mills
Fire Fund, Operating	0.9471 mills
Fire Hall	0.9833 mills
Police Fund – Operating, Special Assessment	1.3000 mills

5. Vacation, Sick Leave, & Compensated Absences

The Township does have a contract with its employees that requires the payment of compensation during absence from duty, however, all benefits are forfeited at the end of the fiscal year.

6. Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

7. Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings & Building Improvements	35 to 50 years
Machinery & Equipment	3 to 25 years

8. Long-Term Obligations

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

10. Use of Estimates

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

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

11. Fund Balance

The Township implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the funding constraints:

- Non-spendable fund balance-amounts that are in non-spendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance-amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- Assigned fund balance-amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance-amounts that are available for any purpose. Positive amounts are reported only in the general fund.
- The Township would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these classified funds.

**NOTE 2 – LEGAL COMPLIANCE – BUDGETS:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year-end, if any, are reported as reservations of fund balances because they will be re-appropriated in the subsequent fiscal year.

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

1. On or prior to July 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.

**TOWNSHIP OF ALMONT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2012**

6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations, which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
8. PA 621 budget violations, if any, are noted in the required supplementary information section.

**NOTE 3 - CASH AND INVESTMENTS:**

Cash and investments are held separately by each of the Township's funds.

**Interest rate risk.** In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to charges in market interest rates, by: avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio, or to meet liquidity needs.

**Credit Risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's).

**Concentration of credit risk.** The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk- deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2012, \$979,477 of the Township's bank balance of \$1,329,901 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counter party, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counter-part's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counter party, or by its trust department or its agent but not in the Township's name. At June 30, 2012, the Township had no Category 1, 2 or 3 investments. Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

The Township's cash, cash equivalents, investments and restricted assets at June 30, 2012 are composed of the following:

	GOVERNMENTAL ACTIVITIES	TRUST & AGENCY FUNDS	TOTAL PRIMARY GOVERNMENT
Cash & Cash Equivalents	\$ 1,264,126	\$ 53,378	\$ 1,317,504

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 4 – CAPITAL ASSETS:**

The following is a summary of changes in the District's capital assets:

	<u>BALANCE JULY 1, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2012</u>
Assets not being depreciated - land	\$ 352,010			\$ 352,010
Other capital assets:				
Buildings & Improvements	1,908,572			1,908,572
Machinery and equipment	1,873,441		97,467	1,775,974
Subtotal	<u>3,782,013</u>	-	<u>97,467</u>	<u>3,684,546</u>
Accumulated depreciation:				
Buildings & Improvements	288,736	42,257		330,993
Machinery and equipment	756,845	92,264	70,180	778,929
Subtotal	<u>1,045,581</u>	<u>134,521</u>	<u>70,180</u>	<u>1,109,922</u>
Net other capital assets	<u>2,736,432</u>	<u>(134,521)</u>	<u>27,287</u>	<u>2,574,624</u>
Net capital assets	<u>\$ 3,088,442</u>	<u>\$ (134,521)</u>	<u>\$ 27,287</u>	<u>\$ 2,926,634</u>

**NOTE 5 - DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at June 30, 2012 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 58,304	\$ 7,536
Fire Fund	7,536	45
Building Department Fund		5,200
Fiduciary Funds		53,059
TOTAL	<u>\$ 65,840</u>	<u>\$ 65,840</u>

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 6 - LONG TERM DEBT:**

The following is a summary of the debt outstanding of the Township as of June 30, 2012. The Township paid off the loan during the 2011-2012 fiscal year.

	<u>Interest Rate Changes</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
Installment Purchase Contract - Fire Station						
Amount of Issue - \$100,500		\$183,540 -				
Maturing through August 1, 2006	3.89%	\$219,089	<u>\$ 219,145</u>	<u>\$ (219,145)</u>	<u>-</u>	<u>-</u>
<b>Total Governemental Activities</b>			<u><u>\$ 219,145</u></u>	<u><u>\$ (219,145)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**NOTE 7 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, state education fund and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date.

The Township participates in Lapeer County Delinquent Tax Fund, which purchases substantially all of the uncollected property tax of the Township each year. The Township receives settlement with the County for all uncollected taxes. On this basis, the full amount of the taxes levied is accrued as income in the year levied.

**NOTE 8 – EMPLOYEE BENEFITS:**

The Township pays no employee benefits.

**NOTE 9 - 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. The Township carries commercial insurance to cover any losses that may result from the above-described activities. The Township did not have any losses in the three prior fiscal years.

**NOTE 10- TRANSFERS:**

There were no transfers between funds.

**TOWNSHIP OF ALMONT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

**NOTE 11 – IMPAIRMENT OF ASSET:**

A Township fire truck was involved in an incident resulting in the total destruction of the truck. The Township insurance company has indicated that 100% of the loss is covered by insurance. As a result the Township has recognized \$194,500 in insurance recoveries.

Cost	\$ 97,467
Less: Accum. Depr.	<u>(70,180)</u>
Net Book Value	27,287
Insurance Proceeds	<u>194,500</u>
Gain	<u>\$ 167,213</u>

**NOTE 12 – PRIOR PERIOD ADJUSTMENT:**

The adjustment was made to adjust for the prior years State Revenue Sharing receivable, which was not previously recorded.

GENERAL FUND	6/30/11	ADJUSTMENT	RESTATED 6/30/11
Due From Other Governmental Units	\$ -	\$ 121,392	\$ 121,392
Fund Balance	\$ 437,200	\$ 121,392	\$ 558,592

**NOTE 13 – SUBSEQUENT EVENTS:**

In August 2012, the Township purchased limestone costing \$79,818 for a project to be done in the 2012-2013 fiscal year.

In July 2012, the board approved an agreement that will convey the Scotch Settlement Cemetery to Almont Township.

In October 2012, the Township exercised a court order that allowed them to remove the blight on a resident's property and attach the costs of such removal to the property's tax rolls in the form of a lien. The cost of the blight removal was approximately \$22,000.

In October 2012, the Township approved a bid to purchase a fire tanker at a cost of \$177,526.

***REQUIRED SUPPLEMENTARY INFORMATION***

**TOWNSHIP OF ALMONT**  
 Required Supplementary Information  
 General Fund  
 Budgetary Comparison Schedule  
 For The Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>				
Property taxes	\$ 290,000	\$ 290,000	\$ 280,382	\$ (9,618)
State shared revenue	200,000	200,000	279,647	79,647
Charges for services	2,700	2,700	10,333	7,633
Interest income	1,000	1,000	1,448	448
Other revenue	10,000	10,000	23,583	13,583
<b>TOTAL REVENUES</b>	<u>503,700</u>	<u>503,700</u>	<u>595,393</u>	<u>91,693</u>
<b>EXPENDITURES:</b>				
General Government:				
Township board	87,000	87,000	82,292	4,708
Supervisor	33,000	33,000	30,908	2,092
Elections	10,000	10,000	5,170	4,830
Assessor	40,000	40,000	42,382	(2,382)
Clerk and deputy clerk	59,800	59,800	58,930	870
Board of review	2,000	2,000	1,827	173
Treasurer and deputy treasurer	48,500	48,500	42,763	5,737
Building and grounds	35,000	35,000	28,430	6,570
Cemetery	8,000	8,000	4,237	3,763
<b>Total General Government</b>	<u>323,300</u>	<u>323,300</u>	<u>296,939</u>	<u>26,361</u>
Public Safety:				
Inspection department	10,000	10,000	10,519	(519)
First responders	38,000	38,000	22,139	15,861
Ordinance enforcement	1,200	2,500	3,067	(567)
Planning commission	16,500	16,500	16,338	162
Street lights	6,000	6,000	5,561	439
Board of appeals	700	700	838	(138)
<b>Total Public Safety</b>	<u>72,400</u>	<u>73,700</u>	<u>58,462</u>	<u>15,238</u>
Public Works - Roads & Drains	108,000	124,000	49,949	74,051
Capital Outlay		-	12,383	(12,383)
<b>TOTAL EXPENDITURES</b>	<u>503,700</u>	<u>521,000</u>	<u>417,733</u>	<u>103,267</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ (17,300)</u>	<u>177,660</u>	<u>\$ 194,960</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			437,200	
<b>PRIOR PERIOD ADJUSTMENT - NOTE 12</b>			<u>121,392</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 736,252</u>	

**TOWNSHIP OF ALMONT**  
Required Supplementary Information  
Fire Fund  
Budgetary Comparison Schedule  
For The Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Special assessments	\$ 197,000	\$ 197,000	\$ 202,362	\$ 5,362
Charges for services	5,000	5,000	13,118	8,118
Interest income	1,000	1,000	771	(229)
Other revenue	<u>1,000</u>	<u>1,000</u>	<u>675</u>	<u>(325)</u>
TOTAL REVENUE	<u>204,000</u>	<u>204,000</u>	<u>216,926</u>	<u>12,926</u>
EXPENDITURES:				
Administration	59,000	59,000	47,545	11,455
Operating expenditures	62,900	62,900	36,378	26,522
Other expenditures	<u>82,100</u>	<u>82,100</u>	<u>54,713</u>	<u>27,387</u>
TOTAL EXPENDITURES	204,000	204,000	138,636	65,364
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>78,290</u>	<u>\$ 78,290</u>
OTHER FINANCING SOURCES (USES):				
Insurance Proceeds	<u>-</u>	<u>-</u>	<u>194,500</u>	<u>194,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>194,500</u>	<u>194,500</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	272,790	<u>\$ 272,790</u>
FUND BALANCE - BEGINNING OF YEAR			<u>299,256</u>	
FUND BALANCE - END OF YEAR			<u>\$ 572,046</u>	

**TOWNSHIP OF ALMONT**  
 Required Supplementary Information  
 Police Department Fund  
 Budgetary Comparison Schedule  
 For The Year Ended June 30, 2012

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE - FAVORABLE (UNFAVORABLE)</b>
REVENUE:				
Special assessments	\$ 239,000	\$ 239,000	\$ 238,120	\$ (880)
Interest income	1,500	1,500	542	(958)
TOTAL REVENUE	240,500	240,500	238,662	(1,838)
EXPENDITURES:				
Contractual services	318,200	318,200	302,800	15,400
TOTAL EXPENDITURES	318,200	318,200	302,800	15,400
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (77,700)	\$ (77,700)	(64,138)	\$ 13,562
FUND BALANCE - BEGINNING OF YEAR			211,795	
FUND BALANCE - END OF YEAR			\$ 147,657	

**TOWNSHIP OF ALMONT**  
 Required Supplementary Information  
 Building Department Fund  
 Budgetary Comparison Schedule  
 For The Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Permit and inspection fees	\$ 30,000	\$ 30,000	\$ 39,781	\$ 9,781
Interest income		-	37	37
Other revenue	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
TOTAL REVENUE	<u>35,000</u>	<u>35,000</u>	<u>39,818</u>	<u>4,818</u>
EXPENDITURES:				
Public safety	<u>35,000</u>	<u>35,000</u>	<u>37,501</u>	<u>(2,501)</u>
TOTAL EXPENDITURES	35,000	35,000	37,501	(2,501)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>2,317</u>	<u>\$ 2,317</u>
FUND BALANCE - BEGINNING OF YEAR			<u>6,738</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,055</u>	

**TOWNSHIP OF ALMONT**  
 Required Supplementary Information  
 Fire Assessment Capital Project Fund  
 Budgetary Comparison Schedule  
 For The Year Ended June 30, 2012

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Special assessments	\$ 199,000	\$ 199,000	\$ 198,277	\$ (723)
Interest income		-	91	91
Other revenue		-	-	-
	<u>199,000</u>	<u>199,000</u>	<u>198,368</u>	<u>(632)</u>
TOTAL REVENUE				
EXPENDITURES:				
Debt service - principal	221,016	221,016	219,145	1,871
Debt service - interest	<u>6,790</u>	<u>6,790</u>	<u>6,790</u>	-
TOTAL EXPENDITURES	227,806	227,806	225,935	1,871
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (28,806)</u>	<u>\$ (28,806)</u>	<u>(27,567)</u>	<u>\$ 1,239</u>
FUND BALANCE - BEGINNING OF YEAR			<u>38,590</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,023</u>	



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

October 31, 2012

Gary R. Anderson, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
.....  
Jerry J. Bernhardt, CPA  
Robert L. Tuckey, CPA

Terry L. Haske, CPA  
Jamie L. Peasley, CPA  
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Laura J. Kosal, CPA  
Jill M. Mulders, CPA  
Angela M. Burnette, CPA

To the Members of the Board  
Township of Almont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Almont for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 25, 2012, 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.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 22, 2012.

### Significant Audit Findings

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Almont are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

#### 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. We proposed adjustments that we consider to be significant and have communicated this to management in our letter dated October 31, 2012.

#### 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.

Members of the Board  
October 31, 2012  
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Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 31, 2012.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants

**AB ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
Certified Public Accountants

Gary R. Anderson, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
.....  
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Terry L. Haske, CPA  
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October 31, 2012

To the Members of the Board  
Township of Almont

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Almont as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Almont'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 the Township of Almont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Almont'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; 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 township'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 the Township of Almont's internal control to be significant deficiencies:

Financial Statements

After considering the qualifications of the accounting personnel of the Township of Almont, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Township, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Segregation of Duties

Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the Township segregate duties whenever possible.

Audit Adjustments

There were a large number of audit adjustments made during the current year. All bookkeeping and reconciling should be done prior to providing the year end trial balance to the auditor. The target number of audit adjustments each year should be less than five. We recommend you take steps to ensure the accounting and reconciling is done prior to the start of the audit.

Bank Reconciliations

As part of the internal control process bank reconciliation should be prepared timely and also reconciled to the general ledger cash accounts for all funds. We found during the course of the audit that bank reconciliations were not being reconciled to the general ledger accounts. This reconciliation process will help identify errors or frauds that may have occurred within an account. We recommend the Township make this a standard monthly procedure going forward.

Other Matters:

Expense Reports

We performed a walkthrough of the procedure of processing expense reimbursement reports. Each employee signs their expense report prior to submission and then the report is approved by management level. On the expense report we selected the employee who submitted also signed in the approval section. The approval signature should always be done by a level above the employee. In this case it was a department head submitting the expense reimbursement so someone a level above should have approved the report.

Policies and Procedures Manual

As part of the internal controls of the Township a policies and procedures manual should be developed to provide written description of the procedures you have in place over main transaction cycles. We recommend that management of the Township work together to develop a policies and procedures manual.

Accounting in the Tax Fund

The general ledger is the official record keeping system of the Township. The tax fund should be maintained in a manner consistent with treatment for all other funds. It is important that the Treasurer's subsidiary records are reconciled to the tax fund in the general ledger software for accurate record keeping. We recommend that the Treasurer's records, including amounts due to/due from other governmental units, are reconciled to the tax fund within the general ledger on a monthly basis.

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

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants