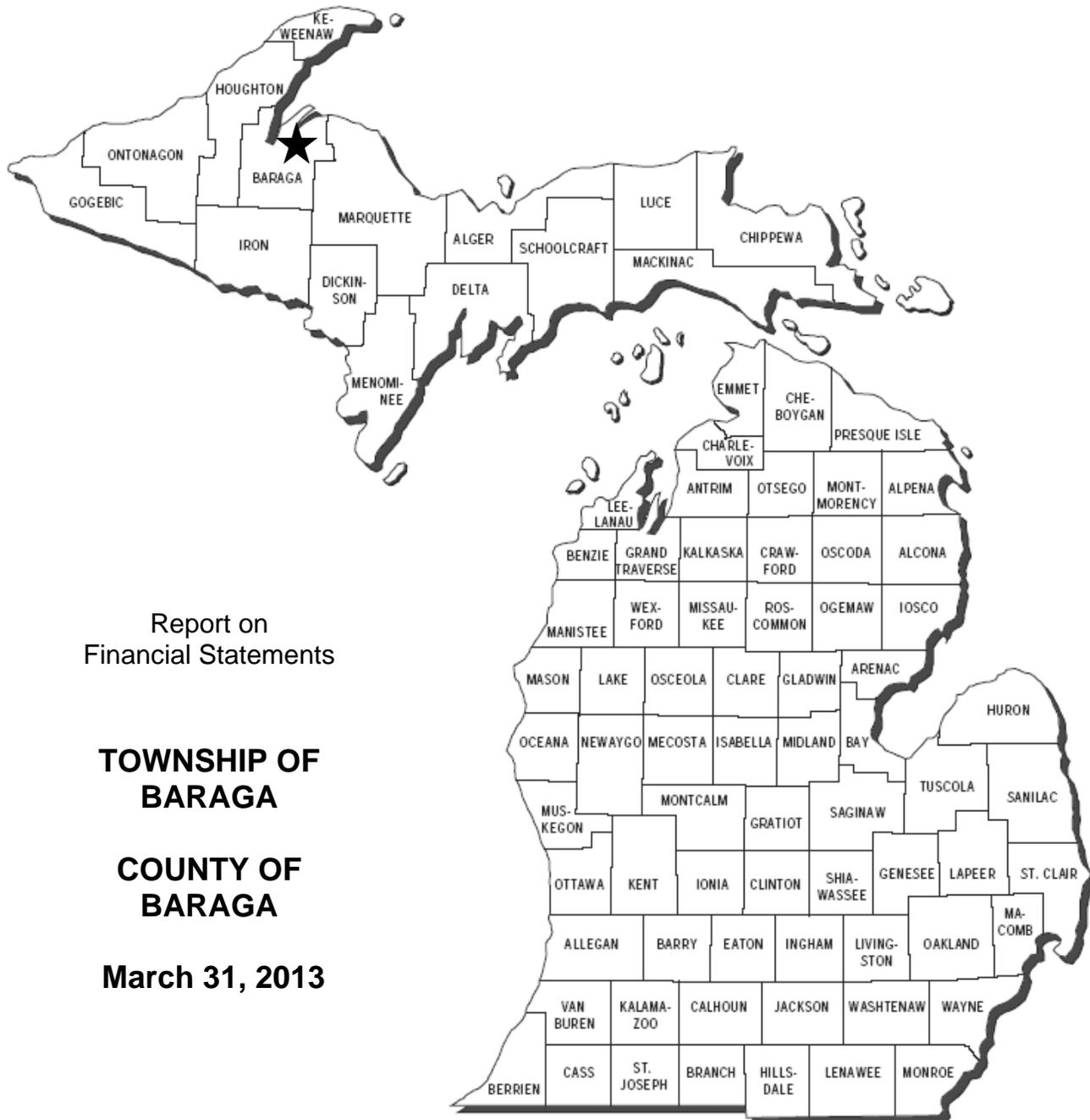


STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on
Financial Statements

**TOWNSHIP OF
BARAGA**

**COUNTY OF
BARAGA**

March 31, 2013

**Local Audit and Finance Division
Bureau of Local Government Services**

BARAGA TOWNSHIP--BARAGA COUNTY
TOWNSHIP BOARD

Amy Isaacson
Supervisor

Michelle Fish
Clerk

Catherine Wadaga
Treasurer

Jerry Dompier
Trustee

Glenn Juntunen
Trustee

TOWNSHIP POPULATION--2010
1,762

STATE EQUALIZED VALUATION—2012
\$85,331,420



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

September 16, 2013

Township Board
Township of Baraga
P.O. Box 246
325 Lyons Street
Baraga, Michigan 49908

Independent Auditor's Report

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Township, Baraga County, Michigan, as of and for the fiscal year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Baraga 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 misstatements, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 6 and the Budgetary Comparison Information for Major Funds on Exhibits F through H 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Baraga Township's basic financial statements. The accompanying supplementary and related information presented as Exhibits I through K are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The information presented in Exhibits I through K is the responsibility of management and was derived from and relates 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 to 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 Exhibits listed above are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of Baraga Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Baraga Township's internal control over financial reporting and compliance.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

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BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Our discussion and analysis of Baraga Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013.

Using this Annual Report

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The annual report also contains supplementary information in addition to the basic financial statements and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B 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 start with Exhibit C. For governmental activities, these 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. The remaining statements provide financial information about activities for which the Township acts solely as trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Township, as a whole, and about its activities in a way that helps answer the question of whether the Township, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Township's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements, mentioned above, report the Township's net position and how they have changed. The reader can think of the Township's net position as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To access the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the county's property tax base which affect the amount of taxes received and changes in the laws related to the operating assistance received from the Federal and State governments.

In the Statement of Net Position and the Statement of Activities, the Township presents Governmental activities. All of the Township's basic services are reported here, including the fire, public works, ambulance and general administration. Property taxes, special assessments and state grants finance most of these activities.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Report the Township's Major Fund

Fund Financial Statements (Reporting the Township's Major Funds)

Our analysis of the Township's major funds begins with Exhibits C and D with additional information provided in Note A of the Notes to the Financial Statements. The special revenue funds are required to be established by state law such as Fire Fund and Ambulance fund. These funds are reported on a modified accrual basis of accounting. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules.

The Township as a Whole

The Township's combined net position for the governmental funds are \$1,874,219 for fiscal year ended March 31, 2013. Since the Township is only required to have an audit performed every two years, we are using the last audited information for comparative analysis.

	<u>Governmental Activities</u> 2011	<u>Governmental Activities</u> 2013	Increase (Decrease) Variance	% of Change
Current and Other Assets	\$ 1,151,582	\$ 1,290,674	\$ 139,092	12%
Capital Assets	<u>656,941</u>	<u>595,201</u>	<u>(61,740)</u>	<u>-9%</u>
Total Assets	<u>1,808,523</u>	<u>1,885,875</u>	<u>77,352</u>	<u>4%</u>
Other Liabilities	13,943	11,656	(2,287)	-16%
Long-Term Liabilities	<u>45,500</u>	<u>-</u>	<u>(45,500)</u>	<u>-100%</u>
Total Liabilities	<u>59,443</u>	<u>11,656</u>	<u>(47,787)</u>	<u>-80%</u>
Net Position				
Invested in Capital Assets				
Net of Related Debt	611,441	595,201	(16,240)	-3%
Restricted	288,435	280,694	(7,741)	-3%
Unrestricted	<u>849,204</u>	<u>998,324</u>	<u>149,120</u>	<u>18%</u>
Total Net Position	<u>\$ 1,749,080</u>	<u>\$ 1,874,219</u>	<u>\$ 125,139</u>	<u>7%</u>

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

A portion of the Township's net position in the amount of \$595,201 reflects its investments in capital assets (i.e., land, buildings, vehicles, equipment, and infrastructure, 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 resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets, \$280,694 represents resources that are subject to external restrictions on how they may be used, these are mostly special revenue funds and reservations in fund balance.

The remaining balance of \$998,324 represents unrestricted net assets that may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the Township was able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net position, for the government as a whole, as well as for its separate governmental activities as explained above.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

The following table shows the change in the net position for the year ended March 31, 2013.

	Governmental Activities <u>2011</u>	Governmental Activities <u>2013</u>	Difference	Percent
Program Revenues				
Charges for Services	\$ 8,889	\$ 9,361	\$ 472	5%
Operating Grants and Contributions	30,221	54,037	23,816	79%
General Revenues				
Property Taxes	320,902	305,611	(15,291)	-5%
State-Shared Revenues	128,343	127,979	(364)	0%
Unrestricted Investment Earnings	13,520	7,977	(5,543)	-41%
Other Revenue	<u>6,851</u>	<u>341</u>	<u>(6,510)</u>	<u>-95%</u>
Total Revenues	<u>508,726</u>	<u>505,306</u>	<u>(3,420)</u>	<u>-1%</u>
Program Expenses				
General Government	140,578	157,857	17,279	-12%
Public Safety	104,060	106,597	2,537	-2%
Public Works	22,900	14,897	(8,003)	35%
Community and Economic Development	5,280	5,383	103	-2%
Health and Welfare	71,841	111,927	40,086	-56%
Other	14,436	12,364	(2,072)	14%
Interest on Long-Term Debt	<u>3,590</u>	<u>-</u>	<u>(3,590)</u>	<u>100%</u>
Total Expenses	<u>362,685</u>	<u>409,025</u>	<u>46,340</u>	<u>13%</u>
Change in Net Position	<u>\$ 146,041</u>	<u>\$ 96,281</u>	<u>\$ (49,760)</u>	<u>-34%</u>
Ending Net Position	<u>\$ 1,749,080</u>	<u>\$ 1,874,219</u>	<u>\$ 125,139</u>	<u>7%</u>

The net position increased by \$125,139 for the current year compared to an increase of \$146,041 for 2011. There were no major fluctuations between revenues for 2011 and 2013. Expenditures increased for 2013, primarily due to an increase in general government expenditures and health and welfare expenses.

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

The Township's Funds

Our analysis of the Township's major funds is listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2013 include the General Fund, Fire Operating Fund and the Ambulance Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government which incurred expenses of approximately \$157,439 in fiscal year ended March 31, 2013. The Ambulance Fund pays for most of the Township's health and welfare expenses which are approximately \$108,931. The Fire Operating Fund pays for the major portion of public service expenses which are approximate \$59,914. These services are supported by the operating millage and State-shared revenues. The other significant services are public works and community and economic development. The increase in fund balance is primarily due to maintaining fairly steady revenues while controlling expenditures in all areas.

General Fund Budgetary Highlights

The Township board amended the budget to take into account events occurring during the year, primarily cutting of expenses across all departments and related budgets to try and provide a surplus for the Township this year. As State-shared revenues continue to decrease, the Township has continued to reduce expenditures. The Township board monitors the budget to actual financial statements on a monthly basis.

During the fiscal year ended March 31, 2013, the revenue budget did not change and remained at \$260,627; actual revenues were \$30,874 more than the budgeted amounts. The largest variances were: increases in property tax administration fees, state grants, and miscellaneous revenues from timber sales.

The expenditure budget did not change and remained at \$237,503; actual expenditures were \$44,423 lower than budgeted amounts. The largest variances were for decreases in general government and community development expenditures and health and welfare.

Capital Asset and Debt Administration

Capital Assets

At the year end March 31, 2013, the Township had \$595,201 invested in a broad range of capital assets, including buildings, office equipment, furniture and fixtures. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Baraga County Road Commission (along with the responsibility to maintain them).

BARAGA TOWNSHIP--BARAGA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2013

Capital Assets at Year End

	3/31/2011	3/31/2013
-		
Capital Assets Not Being Depreciated		
Land	\$ -	\$ 25,434
Subtotal	-	25,434
Capital Assets Being Depreciated		
Buildings	415,928	415,928
Vehicles	630,015	630,015
Equipment and Furniture	156,127	156,127
Subtotal	1,202,070	1,202,070
Less Accumulated Depreciation for		
Buildings	156,756	182,496
Vehicles	248,880	300,132
Equipment and Furniture	139,493	149,675
Subtotal	545,129	632,303
Net Capital Assets Being Depreciated	656,941	569,767
Governmental Activities Capital Total		
Capital Assets--Net of Depreciation	\$ 656,941	\$ 595,201

The Township did not have any outstanding debt the fiscal year ended March 31, 2013.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Township is not expecting any significant projects that will create a need to change the budget from the previous year. The Township will again be closely monitoring its budget as revenues will remain relatively the same as the Township continues to try and cut expenses.

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 accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 325 Lyons Street, P.O. Box 246, Baraga, Michigan 49908.

**BARAGA TOWNSHIP--BARAGA COUNTY
 GOVERNMENT-WIDE STATEMENT
 OF NET POSITION
 March 31, 2013**

EXHIBIT A

	Total Governmental Activities
<u>ASSETS</u>	
Current Assets	
Cash and Cash Equivalents	\$ 1,226,840
Receivables	
Taxes	28,837
Accounts	11,336
Prepaid Expenses	3,902
Due From State	19,759
	<hr/>
Total Current Assets	1,290,674
	<hr/>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	595,201
	<hr/>
Total Noncurrent Assets	595,201
	<hr/>
Total Assets	\$ 1,885,875
	<hr/> <hr/>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities	
Accounts Payable	\$ 5,138
Accrued Liabilities	6,518
	<hr/>
Total Current Liabilities	11,656
	<hr/>
Total Liabilities	11,656
	<hr/>
Net Position	
Investment in Capital Assets	595,201
Restricted for	
Fire Operating	58,855
Ambulance	222,004
Building Department	(165)
Unrestricted	998,324
	<hr/>
Total Net Position	\$ 1,874,219
	<hr/> <hr/>

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

**BARAGA TOWNSHIP--BARAGA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2013**

EXHIBIT B

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities					
General Government	\$ 157,857	\$ 4,335	\$ 23,744	\$ -	\$ (129,778)
Public Safety	106,597	5,026	25,000	-	(76,571)
Public Works	14,897	-	5,293	-	(9,604)
Community and Economic Development	5,383	-	-	-	(5,383)
Health and Welfare	111,927	-	-	-	(111,927)
Other	12,364	-	-	-	(12,364)
Total Governmental Activities	<u>409,025</u>	<u>9,361</u>	<u>54,037</u>	<u>\$ -</u>	<u>(345,627)</u>
Total	<u>\$ 409,025</u>	<u>\$ 9,361</u>	<u>\$ 54,037</u>	<u>\$ -</u>	<u>\$ (345,627)</u>
General Revenues					
Property Taxes					\$ 305,611
State-Shared Revenues					127,979
Unrestricted Investment Earnings					7,977
Other Revenues					341
Total General Revenues					<u>441,908</u>
Change in Net Position					96,281
Net Position--Beginning					<u>1,777,938</u>
Net Position--Ending					<u>\$ 1,874,219</u>

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

BARAGA TOWNSHIP--BARAGA COUNTY
 BALANCE SHEET--GOVERNMENTAL FUNDS AND
 RECONCILIATION TO STATEMENT OF NET POSITION
 March 31, 2013

EXHIBIT C

	MAJOR GOVERNMENTAL FUNDS			NON-MAJOR GOVERNMENTAL FUND	Total Governmental Funds
	General	Fire Operating	Ambulance	Building Department	
ASSETS					
Cash and Cash Equivalents	\$ 962,915	\$ 51,389	\$ 212,180	\$ 356	\$ 1,226,840
Accounts Receivable	11,336	-	-	-	11,336
Taxes Receivable	9,189	9,824	9,824	-	28,837
Due From State	19,759	-	-	-	19,759
Due From Other Funds	-	-	-	-	-
Prepaid Expenses	3,902	-	-	-	3,902
Total Assets	<u>\$ 1,007,101</u>	<u>\$ 61,213</u>	<u>\$ 222,004</u>	<u>\$ 356</u>	<u>\$ 1,290,674</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 2,259	\$ 2,358	\$ -	\$ 521	\$ 5,138
Accrued Liabilities	6,518	-	-	-	6,518
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>8,777</u>	<u>2,358</u>	<u>-</u>	<u>521</u>	<u>11,656</u>
Fund Balances					
Restricted for					
Fire Fund	-	58,855	-	-	58,855
Ambulance Fund	-	-	222,004	-	222,004
Building Department Fund	-	-	-	(165)	(165)
Unassigned	998,324	-	-	-	998,324
Total Fund Balance	<u>998,324</u>	<u>58,855</u>	<u>222,004</u>	<u>(165)</u>	<u>1,279,018</u>
Total Liabilities and Fund Balance	<u>\$ 1,007,101</u>	<u>\$ 61,213</u>	<u>\$ 222,004</u>	<u>\$ 356</u>	<u>\$ 1,290,674</u>
Fund Balances--Total Governmental Funds					\$ 1,279,018
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					<u>595,201</u>
Net Position of Governmental Activities					<u>\$ 1,874,219</u>

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

**BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
AND RECONCILIATION TO STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2013**

EXHIBIT D

	MAJOR GOVERNMENTAL FUNDS			NON-MAJOR GOVERNMENTAL FUND	Total Governmental Funds
	General	Fire Operating	Ambulance	Building Department	
Revenues					
Taxes and Penalties	\$ 122,173	\$ 90,759	\$ 92,679	\$ -	\$ 305,611
Licenses and Permits	-	-	-	5,026	5,026
State Grants	133,272	-	-	-	133,272
Charges for Services	400	-	-	-	400
Interest and Rentals	7,977	-	-	-	7,977
Other Revenue	27,679	192	25,149	-	53,020
Total Revenues	291,501	90,951	117,828	5,026	505,306
Expenditures					
General Government	157,439	-	-	-	157,439
Public Safety	-	59,914	-	6,311	66,225
Public Works	14,897	-	-	-	14,897
Community and Economic Development	5,383	-	-	-	5,383
Health and Welfare	2,997	-	108,930	-	111,927
Other	12,364	-	-	-	12,364
Total Expenditures	193,080	59,914	108,930	6,311	368,235
Excess of Revenues Over (Under) Expenditures	98,421	31,037	8,898	(1,285)	137,071
Fund Balance--April 1, 2012	899,903	27,818	213,106	1,120	1,141,947
Fund Balance--March 31, 2013	<u>\$ 998,324</u>	<u>\$ 58,855</u>	<u>\$ 222,004</u>	<u>\$ (165)</u>	<u>\$ 1,279,018</u>
Excess of Revenues Over (Under) Expenditures					\$ 137,071
Amounts reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.					(40,790)
Change in Net Position of Governmental Activities:					<u>\$ 96,281</u>

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

**BARAGA TOWNSHIP--BARAGA COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
March 31, 2013**

EXHIBIT E

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 29,589
Total Assets	<u>\$ 29,589</u>
<u>LIABILITIES</u>	
Liabilities	
Due to State of Michigan	\$ 13,389
Due to Other Agencies	<u>16,200</u>
Total Liabilities	<u>\$ 29,589</u>

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

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The Township is located in Baraga County and provides services to its residents in many areas including fire protection, street lighting, community enrichment and development, and human services. The Township is a general law Township governed by a 5-member board elected by the citizens of the Township. The Board consists of the supervisor, clerk, treasurer and two trustees, all of whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Educational services are provided through the local school districts, which are separate governmental entities and, therefore, are not presented in the financial statements included herein. The Township is the primary government and there are no other component units that should be reported.

RELATED ORGANIZATIONS

Bay Ambulance, Inc.

The Township, in conjunction with Arvon, L'Anse, and Laird Townships and the Keweenaw Bay Indian Community, has entered into agreements with Bay Ambulance, Inc., to provide ambulance service to the citizens of the respective units. The local units of government do not participate in the operation of Bay Ambulance, Inc., other than the payment of a set rate of \$22.00 per citizen. Approximately 32% of the operating support for Bay Ambulance, Inc., was attributable to the above named Townships and Keweenaw Bay Indian Community. The following is a summary of the amounts paid to Bay Ambulance, Inc.:

<u>Unit</u>	<u>Population</u>	<u>Payments</u>
Arvon Township	450	\$ 9,900
Baraga Township	3,815	83,930
L'Anse Township	2,845	84,586
Laird Township	555	12,210
Keweenaw Bay Indian Community		25,000

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the 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 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are 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 when it is both measurable and available. Revenues are considered to be available if they are collected 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.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services 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 period.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Operating Fund accounts for the Township millage revenue that is reserved for the operation of the fire department.

The Ambulance Fund accounts for Township millage revenue that is reserved for the operation of the ambulance services.

The Township also has a Building Department Fund, which is a non-major fund.

Additionally, the Township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

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. 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 Township's policy to use restricted first, then unrestricted resources as they are needed.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Building	20 to 40 years
Computers	3 to 5 years
Equipment	3 to 10 years
Furniture and Fixtures	5 to 10 years

Use of Estimates

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

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Special Revenue Funds

- Fire Fund – This fund is used to account for revenues from special assessments levied for the operations of Township Fire Departments.
- Ambulance Fund – This fund is used to account for Township millage revenue that is reserved for the operation of the ambulance services.
- Building Department Fund – This fund is used to account for building and electrical permit revenues issued by the building inspector.

Unassigned Fund Balance

Unassigned fund balance is the residual classification for the Township's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Baraga Township Board.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by the Township board for the general and special revenue funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The Township board monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end.

The budgeted revenues and expenditures for governmental fund types, as presented in Exhibits F through H for the major funds, include the original adopted budget and any authorized amendments to the original budget.

Excess of Expenditures over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund and each special revenue fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act. During the year ended March 31, 2013, the following expenditures were in excess of the final amended budgets.

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
General Government			
Township Board	\$ 19,130	\$ 22,079	\$ (2,949)
Ambulance Fund			
Health & Welfare	83,930	108,930	\$ (25,000)

The Township board will carefully monitor the budget on a monthly basis.

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE C--CASH AND INVESTMENTS (Continued)

Deposits are carried at cost. The Township Board has designated two banks for the deposits of Township funds. The investment policy adopted by the Board in accordance Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Township's deposits are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 1,226,840</u>	<u>\$ 29,589</u>	<u>\$ 1,256,429</u>
Total	<u>\$ 1,226,840</u>	<u>\$ 29,589</u>	<u>\$ 1,256,429</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 1,256,429
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 1,256,429</u>

The bank balance of the primary government's deposits is \$1,261,308, of which \$450,999 is covered by Federal depository insurance. The remaining \$810,309 is uncollateralized.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE C--CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pension plan investments, described in Note H, do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Township's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

The Township's property taxes are levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payments from the county for the 2012 delinquent taxes, which are purchased subsequent to March 31, are recorded as delinquent taxes receivable in the general and special revenue funds.

The 2012 taxable value of the Township amounted to \$60,137,609, on which ad valorem taxes of 4.0000 mills were levied for the following purposes: 1.0000 mill for Township Operating, 1.5000 mills for Fire Service and 1.5000 mills for Ambulance Service. The 2012 current tax levy included \$49,629 for Township Operations, \$80,895 for Fire Service and \$80,936 for Ambulance Service. These taxes are recorded as revenue on the Township's records during the fiscal year.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE D--PROPERTY TAXES (Continued)

Taxes Receivable--Delinquent

The taxes receivable delinquent in the General Fund of \$9,189, in the Fire Fund of \$9,824 and in the Ambulance Fund of \$9,824 consist of uncollected real property taxes levied December 1, 2012, which have not been collected as of March 31, 2013. The County settled with the Township and received the delinquent taxes in May 2013.

NOTE E--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Township did not have any current interfund receivables and payables between funds as of March 31, 2013.

The Township did not have any operating transfers between funds for the year ending March 31, 2013.

NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 25,434	\$ -	\$ -	\$ 25,434
Subtotal	25,434	-	-	25,434
Capital Assets Being Depreciated				
Buildings	\$ 415,928	-	-	\$ 415,928
Vehicles	630,015	-	-	630,015
Equipment and Furniture	156,127	-	-	156,127
Total	1,202,070	-	-	1,202,070
Less Accumulated Depreciation				
Buildings	169,626	12,870	-	182,496
Vehicles	274,506	25,626	-	300,132
Equipment and Furniture	147,381	2,294	-	149,675
Total	591,513	40,790	-	632,303
Net Capital Assets Being Depreciated	610,557	(40,790)	-	569,767
Total Net Capital Assets	\$ 635,991	\$ (40,790)	\$ -	\$ 595,201

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE F--CAPITAL ASSETS (Continued)

The depreciation expense was \$40,790 during the year. Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 418
Public Safety	<u>40,372</u>
Total Governmental Activities	<u>\$ 40,790</u>

NOTE G--RETIREMENT PLAN

The Township provides pension benefits for all of its elected or appointed officials through a defined contribution plan administered by John Hancock Life Insurance Company, known as Baraga Township Group Pension Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the plan on the first entry date coinciding with or immediately following the date of employment provided the employee is at least 18 years old but not more than age 75. The Township will contribute to the plan an amount up to 20% of the annual compensation. Employees may also make voluntary pretax contributions to the plan up to a maximum of 5% of their annual compensation. The Township's contributions for each employee are fully vested as they are earned. Employee contributions to the plan are also fully vested, along with investment earnings.

The Township contributed \$10,240 as required by the plan. There were five (5) covered employees for the fiscal year ended March 31, 2013.

NOTE H--POST-EMPLOYMENT BENEFITS

The Township does not provide any post-employment benefits.

NOTE I--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 continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

BARAGA TOWNSHIP--BARAGA COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2013

NOTE I--RISK MANAGEMENT (Continued)

The Township has elected to go with a maximum deductible of \$500 for property coverage and no deductible for liability coverage and automobile coverage. The maximum liability for the property and liability is \$2,000,000 per occurrence and \$4,000,000 aggregate limit. The automobile coverage also provides for \$2,000,000 liability limit.

NOTE J--CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations.

The Township also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The statement impacts the format and reporting of the balance sheet at the government-wide level and also the fund level.

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

**BARAGA TOWNSHIP--BARAGA COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT F

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$ 109,627	\$ 109,627	\$ 122,173	\$ 12,546
State Grants	124,000	124,000	133,272	9,272
Charges for Services	-	-	400	400
Interest and Rentals	16,000	16,000	7,977	(8,023)
Other Revenue	11,000	11,000	27,679	16,679
Total Revenues	<u>260,627</u>	<u>260,627</u>	<u>291,501</u>	<u>30,874</u>
Expenditures				
Current				
General Government	165,176	169,176	157,439	11,737
Public Works	27,000	23,325	14,897	8,428
Community and Economic Development	15,827	15,502	5,383	10,119
Health and Welfare	14,500	14,500	2,997	11,503
Other	15,000	15,000	12,364	2,636
Total Expenditures	<u>237,503</u>	<u>237,503</u>	<u>193,080</u>	<u>44,423</u>
Excess of Revenues Over (Under) Expenditures	23,124	23,124	98,421	75,297
Fund Balance--April 1, 2012	<u>700,272</u>	<u>899,903</u>	<u>899,903</u>	<u>-</u>
Fund Balance--March 31, 2013	<u>\$ 723,396</u>	<u>\$ 923,027</u>	<u>\$ 998,324</u>	<u>\$ 75,297</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 FIRE OPERATING FUND--MAJOR SPECIAL REVENUE FUND
 For the Fiscal Year Ended March 31, 2013**

EXHIBIT G

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ -	\$ -	\$ 90,759	\$ 90,759
Other Revenues	-	-	192	192
Total Revenues	<u>-</u>	<u>-</u>	<u>90,951</u>	<u>90,951</u>
Expenditures				
Public Safety	<u>60,000</u>	<u>67,924</u>	<u>59,914</u>	<u>8,010</u>
Total Expenditures	<u>60,000</u>	<u>67,924</u>	<u>59,914</u>	<u>8,010</u>
Excess of Revenues Over (Under) Expenditures	(60,000)	(67,924)	31,037	98,961
Fund Balance--April 1, 2012	<u>92,169</u>	<u>27,818</u>	<u>27,818</u>	<u>-</u>
Fund Balance--March 31, 2013	<u>\$ 32,169</u>	<u>\$ (40,106)</u>	<u>\$ 58,855</u>	<u>\$ 98,961</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
AMBULANCE FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT H

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 88,961	\$ 88,961	\$ 92,679	\$ 3,718
Donations	-	-	25,000	25,000
Reimbursements	-	-	149	149
Total Revenues	<u>88,961</u>	<u>88,961</u>	<u>117,828</u>	<u>28,867</u>
Expenditures				
Health and Welfare	<u>83,930</u>	<u>83,930</u>	<u>108,930</u>	<u>(25,000)</u>
Total Expenditures	<u>83,930</u>	<u>83,930</u>	<u>108,930</u>	<u>(25,000)</u>
Excess of Revenues Over (Under) Expenditures	5,031	5,031	8,898	3,867
Fund Balance--April 1, 2012	<u>153,747</u>	<u>213,106</u>	<u>213,106</u>	<u>-</u>
Fund Balance--March 31, 2013	<u>\$ 158,778</u>	<u>\$ 218,137</u>	<u>\$ 222,004</u>	<u>\$ 3,867</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 March 31, 2013**

EXHIBIT I

	<u>AGENCY FUNDS</u>		
	<u>General Agency</u>	<u>Tax Collection</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 109	\$ 29,480	\$ 29,589
Total Assets	<u>\$ 109</u>	<u>\$ 29,480</u>	<u>\$ 29,589</u>
<u>LIABILITIES</u>			
Liabilities			
Due to State of Michigan	\$ -	\$ 13,389	\$ 13,389
Due to Other Agencies	<u>109</u>	<u>16,091</u>	<u>16,200</u>
Total Liabilities	<u>\$ 109</u>	<u>\$ 29,480</u>	<u>\$ 29,589</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
SCHEDULE OF REVENUES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT J

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes and Penalties				
Current Property Taxes	\$ 54,627	\$ 54,627	\$ 49,629	\$ (4,998)
Delinquent Property Taxes	4,500	4,500	6,549	2,049
Delinquent Personal Property Taxes	-	-	259	259
Comm Forest Reserve	800	800	1,239	439
National Forest Reserve	4,700	4,700	11,432	6,732
Swamp Tax	20,000	20,000	22,042	2,042
Property Tax Administration Fees	25,000	25,000	31,023	6,023
Total Taxes and Penalties	<u>109,627</u>	<u>109,627</u>	<u>122,173</u>	<u>12,546</u>
State Grants				
Revenue Sharing	124,000	124,000	127,979	3,979
Metro Act	-	-	5,293	5,293
Total State Grants	<u>124,000</u>	<u>124,000</u>	<u>133,272</u>	<u>9,272</u>
Charges for Services				
Cemetery Sale of Lots	-	-	400	400
Total Charges for Services	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
Interest and Rents				
Interest Earned	16,000	16,000	7,977	(8,023)
Total Interest and Rents	<u>16,000</u>	<u>16,000</u>	<u>7,977</u>	<u>(8,023)</u>
Other Revenues				
Donations From Private Sources	11,000	11,000	23,744	12,744
Miscellaneous	-	-	309	309
Election Reimbursements	-	-	3,626	3,626
Total Other Revenues	<u>11,000</u>	<u>11,000</u>	<u>27,679</u>	<u>16,679</u>
Total Revenues	<u>\$ 260,627</u>	<u>\$ 260,627</u>	<u>\$ 291,501</u>	<u>\$ 30,874</u>

**BARAGA TOWNSHIP--BARAGA COUNTY
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2013**

EXHIBIT K

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government				
Township Board	\$ 7,804	\$ 19,130	\$ 22,079	\$ (2,949)
Supervisor	21,110	21,110	17,414	3,696
Elections	15,650	15,650	11,477	4,173
Audit	5,000	-	-	-
Assessor	28,898	32,898	30,018	2,880
Clerk	25,536	28,259	27,084	1,175
Board of Review	3,810	5,649	4,749	900
Treasurer	35,062	33,700	32,345	1,355
Building and Grounds	14,306	9,744	9,289	455
Cemetery	8,000	3,036	2,984	52
Total General Government	<u>165,176</u>	<u>169,176</u>	<u>157,439</u>	<u>11,737</u>
Public Works				
Street Lights	12,000	12,000	9,572	2,428
Garbage	5,000	5,325	5,325	-
Road Maintenance	10,000	6,000	-	6,000
Total Public Works	<u>27,000</u>	<u>23,325</u>	<u>14,897</u>	<u>8,428</u>
Health and Welfare				
Pelkie EMS	14,500	14,500	2,997	11,503
Total Health and Welfare	<u>14,500</u>	<u>14,500</u>	<u>2,997</u>	<u>11,503</u>
Community Development				
Community Promotion	10,000	10,000	-	10,000
Historical Society	4,000	4,000	4,000	-
Zoning Board of Appeals	1,827	1,502	1,383	119
Total Community Development	<u>15,827</u>	<u>15,502</u>	<u>5,383</u>	<u>10,119</u>
Other				
Insurance and Bonds	15,000	15,000	12,364	2,636
Total Other	<u>15,000</u>	<u>15,000</u>	<u>12,364</u>	<u>2,636</u>
Total Expenditures	<u>\$ 237,503</u>	<u>\$ 237,503</u>	<u>\$ 193,080</u>	<u>\$ 44,423</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

September 16, 2013

Township Board
Township of Baraga
P.O. Box 246
325 Lyons Street
Baraga, Michigan 49908

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Township, Baraga County, Michigan, as of and for the fiscal year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Baraga Township's basic financial statements and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Baraga Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baraga Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Baraga Township's internal control.

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 Baraga Township's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Management Responses as Findings 2009-1 and 2009-2 that we consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Baraga Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, described in the accompanying Schedule of Findings and Management Responses as Finding 2013-1 that is required to be reported under *Government Auditing Standards*.

Baraga Township's Response to Findings

Baraga Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Management Responses. We did not audit Baraga Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the Baraga Township's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Baraga Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

September 16, 2013

Township Board
Township of Baraga
P.O. Box 246
325 Lyons Street
Baraga, Michigan 49908

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Baraga Township, Baraga County, Michigan, as of and for the fiscal year ended March 31, 2013, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 16, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated May 7, 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Baraga Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of Baraga Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information

in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the 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 the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on August 13, 2013, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Baraga Township are described in Note A to the financial statements. As described in Note J to the financial statements, Baraga Township changed accounting policies related to fund balance descriptions by adopting Statement of Governmental Accounting Standards (GASB Statement) Number 61, *The Financial Reporting Entity Omnibus*, GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Reported as Assets and Liabilities* in the current year. This change in accounting principle had no effect on the Statement of Net Position. We noted no transactions entered into by Baraga Township 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 governmental activities in the government-wide statements was depreciation.

Management's estimate of depreciation is based on the straight line method in accordance with Generally Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2013.

Management Consultations with Other Independent Accountants

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

Baraga Township (Baraga County)
September 16, 2013

This information is intended solely for the use of the Baraga Township Board and management of the Baraga Township and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended March 31, 2013

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 a 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.

A significant deficiency is a deficiency, or 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.

The Township is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material weaknesses, significant deficiencies and other matters listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

SIGNIFICANT DEFICIENCIES

Our study and evaluation of internal control disclosed the following conditions that we believe to be significant deficiencies:

Preparation of Financial Statements in Accordance with GAAP

Finding 2009-1

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

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

Effect: The Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended March 31, 2013

SIGNIFICANT DEFICIENCIES (Continued)

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

Recommendation: We recommend that the Board designate a responsible Township official to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management's Response: The Township treasurer and Township clerk will carefully review the audit report, and will together take the necessary steps to remedy the listed deficiencies.

Generally Accepted Accounting Principles--Treasurer and Clerk--Accruals *Finding 2009-2*

Condition: Accruals (delinquent taxes receivable, due from state and accounts payable) were not recorded for the governmental funds, prior to the audit adjustments.

Criteria: Generally Accepted Accounting Principles (GAAP) require governmental funds to be maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Measurable refers to the ability to quantify the amount of the revenue in monetary terms. Current expenditures are generally recorded when the fund liability is incurred, if measurable. GAAP also requires that receivables expected to be received within 60 days and accounts payable be recorded at fiscal year end to properly match the fiscal year's revenues and expenditures.

Recommendation: We recommend that the Township record accruals at the end of each fiscal year. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts within the general ledger.

Management's Response: The Township clerk will record accruals at the end of each fiscal year.

BARAGA TOWNSHIP--BARAGA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended March 31, 2013

NONCOMPLIANCE WITH STATE STATUTES AND REGULATIONS

Our examination revealed the following instances of noncompliance with State statutes and regulations.

Excess Expenditures Over Appropriations

Finding 2013-1

Condition: During the fiscal year ended March 31, 2013, expenditures were incurred in excess of amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Variance)</u>
General Fund			
General Government			
Township Board	\$ 19,130	\$ 22,079	\$ (2,949)
Ambulance Fund			
Health & Welfare	83,930.00	108,930.00	\$ (25,000)

Criteria: MCL 141.437 Section 17 (1) states: “Except as otherwise provided in section 19, a deviation from the original general appropriations act shall not be made without amending the general appropriations act. Subject to section 16(2), the legislative body of the local unit shall amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration and the purpose of each appropriation item affected by the amendment. The legislative body may require that the chief administrative officer or fiscal officer provide it with periodic reports on the financial condition of the local unit.”

MCL 141.439 Section 19 (1) states:

- (1) A member of the legislative body, the chief administrative officer, an administrative officer, or an employee of a local unit shall not authorize or participate in the expenditure of funds except as authorized by a general appropriations act. An expenditure shall not be incurred except in pursuance of the authority and appropriations of the legislative body of the local unit.
- (2) The legislative body in a general appropriations act may permit the chief administrative officer to execute transfers within limits stated in the act between appropriations without the prior approval of the legislative body.

Directive: We direct the Township to comply with the above statutory budgeting requirements to develop budgetary control procedures which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof. We also recommend that the Township budget revenues and expenditures based on actual accounts used. The Township should continue monitoring their budget on at least a quarterly basis.

Management’s Response: The Township board will carefully monitor the budget on a monthly basis.