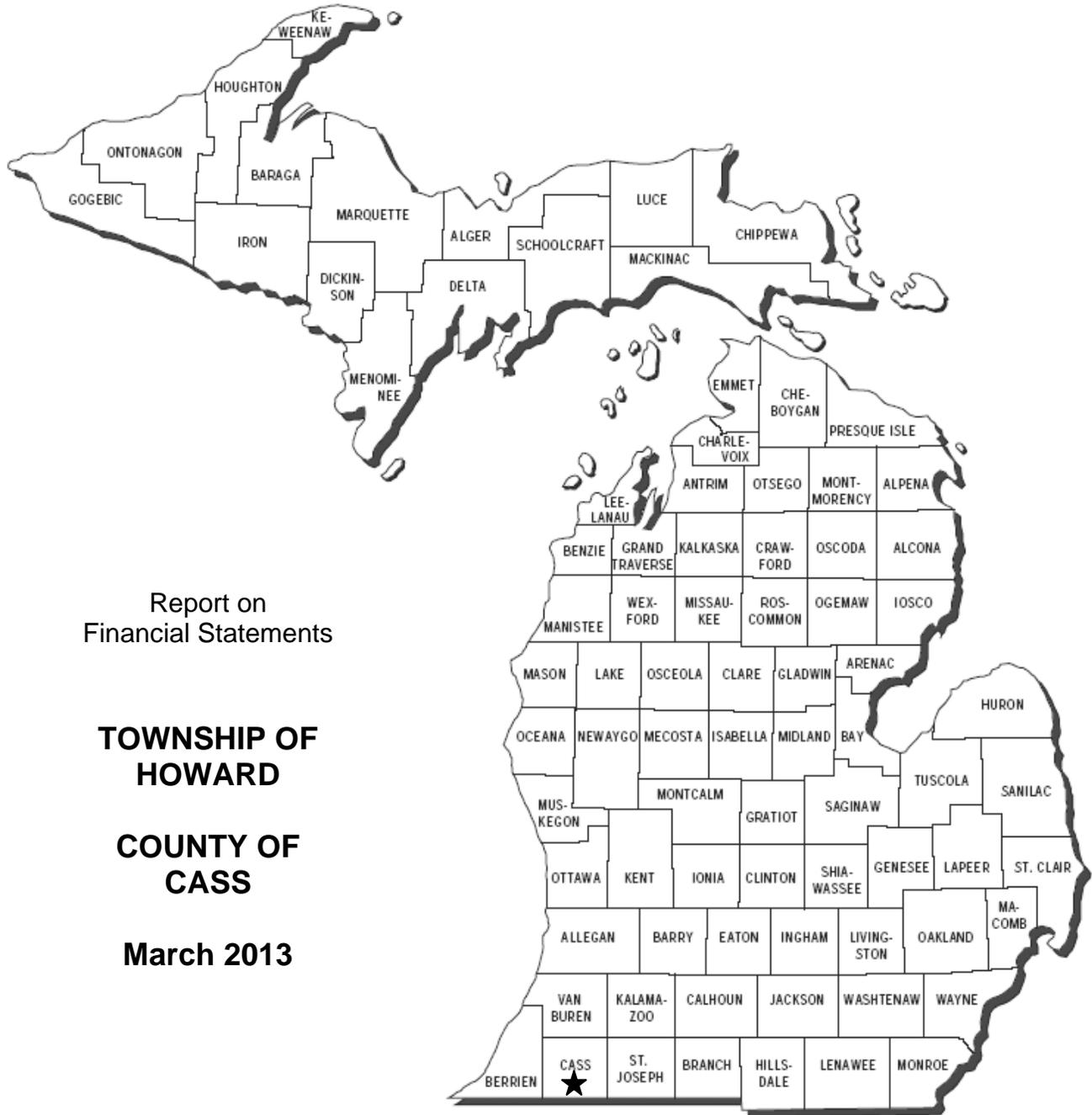


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on  
Financial Statements

**TOWNSHIP OF  
HOWARD**

**COUNTY OF  
CASS**

**March 2013**

HOWARD TOWNSHIP--CASS COUNTY

TOWNSHIP BOARD

Dale Lowe  
Supervisor

Sheri Wozniak  
Clerk

Linda Rudlaff  
Treasurer

Irving Frost  
Trustee

Craig Bradfield  
Trustee

David Brawley  
Trustee

Hank Johnson  
Trustee

TOWNSHIP POPULATION--2010

6,207

TAXABLE VALUATION--2012

\$169,855,266



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

September 11, 2013

Howard Township Board  
1345 Barron Lake Road  
Niles, Michigan 49120

Independent Auditor's Report

Dear Board Members:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Howard Township, Cass County, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Howard Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 and the schedule of funding progress for employee pension benefits as well as budgetary comparison information Exhibits I and J 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 Howard Township's basic financial statements. The accompanying supplementary and related information presented in Exhibits K through N, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits K through N 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 accompanying supplementary and related information presented in Exhibits K through N is 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 11, 2013, on our consideration of Howard Township's internal control over financial reporting and 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 Howard Township's internal control over financial reporting and compliance.



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

HOWARD TOWNSHIP--CASS COUNTY

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HOWARD TOWNSHIP--CASS COUNTY

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## HOWARD TOWNSHIP--CASS COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended March 31, 2013

Our discussion and analysis of Howard Township's financial performance provides an overview of the Township's financial activities for the 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. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibit 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 statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a 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*

One of the most important questions asked about the Township's finances is, "Is the Township as a whole better or worse off as a result of the year's 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 this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting 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.

These two statements report the Township's net position and changes in them. You can think of the Township's net position — the difference between assets and liabilities — 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. You will need to consider other nonfinancial factors, however, such as changes in the Township's property tax base and the condition of Township's infrastructure, to assess the overall health of the Township.

In the Statement of Net Position and the Statement of Activities we divide the Township into two kinds of activities:

- Governmental activities--Most of the Township's basic services are reported here, including the police, fire, public works, and general administration. Property taxes, franchise fees, and state grants finance most of these activities.

## HOWARD TOWNSHIP--CASS COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended March 31, 2013

- Business-type activities--The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer, water and garbage systems are reported here.

#### **Report the Township's Major Fund**

##### *Fund Financial Statements*

Our analysis of the Township's major funds begins with Exhibit 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 Street Light, Building, and Weed Eradication Funds. The Township's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*—Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements of Exhibit C and D.
- *Proprietary funds*—When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

##### *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.

**HOWARD TOWNSHIP--CASS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended March 31, 2013**

**The Township as a Whole**

The Township's combined net position decreased from \$3,333,705 to \$3,231,337 or \$102,368 for the year ended March 31, 2013. This is similar to the previous year when the net position decreased \$27,138. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental and business-type activities.

**Table 1  
Net Position of Governmental Activities**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Current and Other Assets	\$ 1,080,098	\$ 1,038,196	\$ 546,075	\$ 632,116	\$ 1,626,173	\$ 1,670,312
Noncurrent Assets	573,939	531,670	1,147,817	1,069,500	1,721,756	1,601,170
<b>Total Assets</b>	<b>1,654,037</b>	<b>1,569,866</b>	<b>1,693,892</b>	<b>1,701,616</b>	<b>3,347,929</b>	<b>3,271,482</b>
Current Liabilities	14,224	40,145	-	-	14,224	40,145
<b>Total Liabilities</b>	<b>14,224</b>	<b>40,145</b>	<b>-</b>	<b>-</b>	<b>14,224</b>	<b>40,145</b>
<b>Net Position</b>						
Net Investment in						
Capital Assets	573,939	531,670	1,104,000	1,069,500	1,677,939	1,601,170
Restricted	266,114	261,252	-	-	266,114	261,252
Unrestricted	799,760	736,799	589,892	632,116	1,389,652	1,368,915
<b>Total Net Position</b>	<b>\$ 1,639,813</b>	<b>\$ 1,529,721</b>	<b>\$ 1,693,892</b>	<b>\$ 1,701,616</b>	<b>\$ 3,333,705</b>	<b>\$ 3,231,337</b>

Net position of the Township's governmental activities decreased by 6.71%, or \$110,092 (\$1,529,721 compared to \$1,639,813). The net investment in capital assets decreased due to the continued depreciation of the Township's capital assets. The decrease in the unrestricted net position was due to continued funding for road improvements and funds used for capital purchases such as the new fire truck and restroom improvements at the park.

The Township's business-type activities consist solely of the Sewer Fund. Sewer services are provided to approximately 35% of the Township residents, which is provided in conjunction with the City of Niles. Net position of the Township's business-type activities increased by .46%, or \$7,724 (\$1,701,616 compared to \$1,693,892). The net investment in capital assets decreased with the continued depreciation of the sewer system. The increase in the unrestricted net position is due to keeping expenses under control while maintaining a consistent revenue stream.

**HOWARD TOWNSHIP--CASS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended March 31, 2013**

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Program Revenue						
Charges for Services	\$ 97,148	\$ 109,534	\$ 116,552	\$ 113,874	\$ 213,700	\$ 223,408
Operating Grants and Contributions	10,150	9,351	-	-	10,150	9,351
General Revenue						
Property Taxes	195,157	187,385	-	-	195,157	187,385
State-Shared Revenues	441,077	450,831	-	-	441,077	450,831
Unrestricted Investment Earnings	3,343	6,933	8,489	3,680	11,832	10,613
Other	11,225	14,694	-	-	11,225	14,694
<b>Total Revenues</b>	<b>758,100</b>	<b>778,728</b>	<b>125,041</b>	<b>117,554</b>	<b>883,141</b>	<b>896,282</b>
Program Expenses						
General Government	303,352	326,863	-	-	303,352	326,863
Public Safety	229,972	265,236	-	-	229,972	265,236
Public Works	162,499	190,352	-	-	162,499	190,352
Community and Economic Development	33,605	33,322	-	-	33,605	33,322
Recreation and Cultural	65,000	73,047	-	-	65,000	73,047
Sewer	-	-	115,851	109,830	115,851	109,830
<b>Total Expenses</b>	<b>794,428</b>	<b>888,820</b>	<b>115,851</b>	<b>109,830</b>	<b>910,279</b>	<b>998,650</b>
<b>Change in Net Position</b>	<b>\$ (36,328)</b>	<b>\$ (110,092)</b>	<b>\$ 9,190</b>	<b>\$ 7,724</b>	<b>\$ (27,138)</b>	<b>\$ (102,368)</b>

***Governmental Activities***

The revenues for the Township's governmental activities increased by 2.7% (\$20,628), while expenses increased 11.9% (\$94,392). The increase in revenues and public works expense is due to the new weed eradication special assessment of \$21,000 that was assessed to eradicate weeds in Barron Lake. The additional increases in expenses were due to increased election costs for the presidential election, increased building department costs as permits from 2010 through 2013 were closed out, and increased funds spent on road projects.

***Business-Type Activities***

The revenues for the Township's business-type activities decreased by 6.0% (\$7,487), while expenses decreased 5.2% (\$6,021). The revenue and expenses decreased due to fewer users of the system.

## **HOWARD TOWNSHIP--CASS COUNTY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended March 31, 2013**

#### **THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental fund (as presented in the balance sheet on Exhibit C) reported a fund balance of \$998,051 which is less than last year's \$1,065,874. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph. The major governmental funds of the Township for 2013 included the General Fund, Improvement Capital Fund, and Weed Eradication Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government, public safety, and public works activities. The Weed Eradication Fund performs public works. These services are supported by the special assessments collected from Barron Lake residents. The Improvement Capital Fund is funds set aside in a capital projects fund restricted by the Township Board for future capital improvements.

#### **GENERAL FUND BUDGETARY HIGHLIGHT**

Over the course of the year, the Township's budget was monitored monthly to continuously evaluate the financial position of the Township. Adjustments were approved throughout the year to try and take into account the activities of the Township for the year. The largest adjustment to the revenues was to account for the increased state revenue sharing. The largest adjustments to the expenses were the increase in road projects and capital outlay purchases.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### *Capital Assets*

As of March 31, 2013, the Township had \$1,601,170 invested in a broad range of capital assets, including land, buildings, land improvements, vehicles, equipment, and sewer infrastructure. This amount represents a net decrease (including additions and deductions) of \$76,769.

**HOWARD TOWNSHIP--CASS COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended March 31, 2013**

**Table 3  
Capital Assets at Year-End**

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	Primary Government	
					2012	2013
Land	\$ 90,850	\$ 90,850	\$ -	\$ -	\$ 90,850	\$ 90,850
Land Improvements	226,402	230,428	-	-	226,402	230,428
Buildings and Improvements	277,461	288,692	-	-	277,461	288,692
Equipment	682,697	611,856	-	-	682,697	611,856
Vehicles	705,829	574,378	-	-	705,829	574,378
Sewer System	-	-	1,725,000	1,725,000	1,725,000	1,725,000
Total Capital Assets	1,983,239	1,796,204	1,725,000	1,725,000	3,708,239	3,521,204
Total Accumulated Depreciation	(1,409,300)	(1,264,534)	(621,000)	(655,500)	(2,030,300)	(1,920,034)
Total Net Capital Assets	\$ 573,939	\$ 531,670	\$ 1,104,000	\$ 1,069,500	\$ 1,677,939	\$ 1,601,170

This year’s capital asset additions consisted of \$30,833 for a new fire truck, \$9,531 for restroom improvements at Pepper Martin Park, \$4,600 for new bleachers at Pepper Martin Park, \$4,867 for a new copy machine and \$8,398 in other smaller equipment purchases.

The Township’s fiscal-year 2013 capital budget calls for the purchase of new turnout gear for the fire department and continued improvement to the Township’s park systems. The Township has no plans to issue additional debt to finance these projects. More detailed information about the Township’s capital assets is presented in Note G to the financial statements.

**Debt**

The Township has no debt obligations.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The Township’s budget for 2013 has been modified to reflect the prior years’ activities in a more accurate manner. The General Fund’s budget has also been increased for Fire Department’s purchase of turnout gear and park improvements.

**CONTACTING THE TOWNSHIP’S FINANCIAL 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 1345 Barron Lake Road, Niles, Michigan 49120.

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

**EXHIBIT A**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 907,940	\$ 620,958	\$ 1,528,898
Receivables			
Special Assessments	-	265	265
Delinquent Taxes	12,070	-	12,070
Delinquent Special Assessments	2,448	7,868	10,316
Accounts	7,939	3,025	10,964
Due From State	69,604	-	69,604
Due From Other Agencies	10,000	-	10,000
Prepaid Expenses	28,195	-	28,195
Total Current Assets	<u>1,038,196</u>	<u>632,116</u>	<u>1,670,312</u>
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	<u>531,670</u>	<u>1,069,500</u>	<u>1,601,170</u>
Total Noncurrent Assets	<u>531,670</u>	<u>1,069,500</u>	<u>1,601,170</u>
Total Assets	<u>1,569,866</u>	<u>1,701,616</u>	<u>3,271,482</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	29,409	-	29,409
Accrued Liabilities	10,736	-	10,736
Total Current Liabilities	<u>40,145</u>	<u>-</u>	<u>40,145</u>
<u>NET POSITION</u>			
Net Position			
Investment in Capital Assets	531,670	1,069,500	1,601,170
Restricted for			
Improvement Capital	210,198	-	210,198
Special Revenue Programs	51,054	-	51,054
Unrestricted	<u>736,799</u>	<u>632,116</u>	<u>1,368,915</u>
Total Net Position	<u>\$ 1,529,721</u>	<u>\$ 1,701,616</u>	<u>\$ 3,231,337</u>

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

**HOWARD TOWNSHIP--CASS COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended March 31, 2012**

**EXHIBIT B**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities						
General Government	\$ 326,863	\$ 41,991	\$ 408	\$ (284,464)	\$ -	\$ (284,464)
Public Safety	265,236	33,423	3,383	(228,430)	-	(228,430)
Public Works	190,352	29,180	5,560	(155,612)	-	(155,612)
Community and Economic Development	33,322	4,040	-	(29,282)	-	(29,282)
Recreation and Culture	73,047	900	-	(72,147)	-	(72,147)
Total Governmental Activities	<u>888,820</u>	<u>109,534</u>	<u>9,351</u>	<u>(769,935)</u>	<u>-</u>	<u>(769,935)</u>
Business-Type Activities						
Sewer	<u>109,830</u>	<u>113,874</u>	<u>-</u>	<u>-</u>	<u>4,044</u>	<u>4,044</u>
Total	<u>\$ 998,650</u>	<u>\$ 223,408</u>	<u>\$ 9,351</u>	<u>\$ (769,935)</u>	<u>\$ 4,044</u>	<u>\$ (765,891)</u>
General Revenues						
Property Taxes				\$ 187,385	\$ -	\$ 187,385
State-Shared Revenues				450,831	-	450,831
Unrestricted Investment Earnings				6,933	3,680	10,613
Other				14,694	-	14,694
Total General Revenues				<u>659,843</u>	<u>3,680</u>	<u>663,523</u>
Change in Net Position				(110,092)	7,724	(102,368)
Net Position--Beginning				<u>1,639,813</u>	<u>1,693,892</u>	<u>3,333,705</u>
Net Position--Ending				<u>\$ 1,529,721</u>	<u>\$ 1,701,616</u>	<u>\$ 3,231,337</u>

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

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

**EXHIBIT C**

<u>ASSETS</u>	<u>General</u>	<u>Improvement Capital</u>	<u>Weed Eradication</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 629,524	\$ 210,198	\$ 14,170	\$ 54,048	\$ 907,940
Receivables					
Delinquent Taxes	12,070	-	-	-	12,070
Delinquent Special Assessments	-	-	1,200	1,248	2,448
Accounts	7,939	-	-	-	7,939
Due From State	69,604	-	-	-	69,604
Due From Other Funds	13,327	-	-	-	13,327
Prepaid Expenses	28,195	-	-	-	28,195
<b>Total Assets</b>	<b>\$ 760,659</b>	<b>\$ 210,198</b>	<b>\$ 15,370</b>	<b>\$ 55,296</b>	<b>\$ 1,041,523</b>
 <u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 13,124	\$ -	\$ 15,370	\$ 915	\$ 29,409
Due to Other Funds	-	-	-	3,327	3,327
Accrued Liabilities	10,736	-	-	-	10,736
<b>Total Liabilities</b>	<b>23,860</b>	<b>-</b>	<b>15,370</b>	<b>4,242</b>	<b>43,472</b>
Fund Equity					
Fund Balances					
Nonspendable	28,195	-	-	-	28,195
Restricted		210,198	-	51,054	261,252
Unassigned	708,604	-	-	-	708,604
<b>Total Fund Equity</b>	<b>736,799</b>	<b>210,198</b>	<b>-</b>	<b>51,054</b>	<b>998,051</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 760,659</b>	<b>\$ 210,198</b>	<b>\$ 15,370</b>	<b>\$ 55,296</b>	<b>\$ 1,041,523</b>
Fund Balances--Total Governmental Funds					\$ 998,051
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					
					531,670
Net Position of Governmental Activities					<u>\$ 1,529,721</u>

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

**HOWARD TOWNSHIP--CASS 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**

	General	Improvement Capital	Weed Eradication	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 187,385	\$ -	\$ -	\$ -	\$ 187,385
Licenses and Permits	33,569	-	-	32,153	65,722
State Grants	456,391	-	-	-	456,391
Charges for Services	10,312	-	-	-	10,312
Fines and Forfeits	(230)	-	-	-	(230)
Interest and Rentals	11,683	408	-	56	12,147
Other Revenue	18,021	-	21,000	7,980	47,001
<b>Total Revenues</b>	<b>717,131</b>	<b>408</b>	<b>21,000</b>	<b>40,189</b>	<b>778,728</b>
Expenditures					
Current					
General Government	311,463	-	-	-	311,463
Public Safety	148,666	-	-	46,523	195,189
Public Works	158,416	-	21,000	10,936	190,352
Community and Economic Development	33,322	-	-	-	33,322
Recreation and Culture	57,996	-	-	-	57,996
Capital Outlay	58,229	-	-	-	58,229
<b>Total Expenditures</b>	<b>768,092</b>	<b>-</b>	<b>21,000</b>	<b>57,459</b>	<b>846,551</b>
Excess of Revenues Over (Under) Expenditures	(50,961)	408	-	(17,270)	(67,823)
Other Financing Sources (Uses)					
Interfund Transfers In	-	6,000	-	6,000	12,000
Interfund Transfers (Out)	(12,000)	-	-	-	(12,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(12,000)</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(62,961)</b>	<b>6,408</b>	<b>-</b>	<b>(11,270)</b>	<b>(67,823)</b>
Fund Balance--April 1, 2012	799,760	203,790	-	62,324	1,065,874
Fund Balance--March 31, 2013	<u>\$ 736,799</u>	<u>\$ 210,198</u>	<u>\$ -</u>	<u>\$ 51,054</u>	<u>\$ 998,051</u>
Net Change in Fund Balances					\$ (67,823)

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.

(42,269)

Change in Net Position of Governmental Activities

\$ (110,092)

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

**HOWARD TOWNSHIP--CASS COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
March 31, 2013**

**EXHIBIT E**

	<b>ENTERPRISE FUND</b>
	<u>Sewer</u>
<b><u>ASSETS</u></b>	
Current Assets	
Cash and Cash Equivalents	\$ 620,958
Special Assessments Receivable	265
Delinquent Special Assessments Receivable	7,868
Due From Other Units of Government	<u>3,025</u>
Total Current Assets	<u>632,116</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>1,069,500</u>
Total Noncurrent Assets	<u>1,069,500</u>
Total Assets	<u>\$ 1,701,616</u>
<b><u>LIABILITIES</u></b>	
Total Liabilities	<u>\$ -</u>
<b><u>NET POSITION</u></b>	
Invested in Capital Assets--Net of Related Debt	1,069,500
Unrestricted	<u>632,116</u>
Total Net Position	<u>\$ 1,701,616</u>

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

**HOWARD TOWNSHIP--CASS COUNTY  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION--PROPRIETARY FUND  
For the Fiscal Year Ended March 31, 2013**

**EXHIBIT F**

	<b>ENTERPRISE FUND</b>
	<u>Sewer</u>
Operating Revenues	
Charge for Services	<u>\$ 113,874</u>
Total Operating Revenues	<u>113,874</u>
Operating Expenses	
Operating expenses	75,330
Depreciation	<u>34,500</u>
Total Operating Expenses	<u>109,830</u>
Net Operating Income (Loss)	<u>4,044</u>
Nonoperating Revenues (Expenses)	
Interest From Special Assessments	2,988
Interest Income	<u>692</u>
Total Nonoperating Revenues (Expenses)	<u>3,680</u>
Change in Net Position	7,724
Net Position--April 1, 2012	<u>1,693,892</u>
Net Position--March 31, 2013	<u><u>\$ 1,701,616</u></u>

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

**HOWARD TOWNSHIP--CASS COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended March 31, 2013**

**EXHIBIT G**

	<b>ENTERPRISE FUND</b>
	<u>Sewer</u>
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 117,793
Cash Payments to Employees for Services and Benefits	(5,325)
Cash Payments to Suppliers for Goods and Services	<u>(70,005)</u>
Net Cash Provided by Operating Activities	<u>42,463</u>
Cash Flows From Capital and Related Financing Activities	
Special Assessments	<u>46,630</u>
Net Cash Provided by Capital and Related Financing Activities	<u>46,630</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>692</u>
Net Cash Provided by Investing Activities	<u>692</u>
Net Increase (Decrease) in Cash and Cash Equivalents	89,785
Cash and Cash Equivalents--Beginning of Year	<u>531,173</u>
Cash and Cash Equivalents--End of Year	<u>\$ 620,958</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 4,044
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	34,500
Decrease (Increase) in Accounts Receivable	<u>3,919</u>
Net Cash Provided by Operating Activities	<u>\$ 42,463</u>

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

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

**EXHIBIT H**

	<u>AGENCY FUNDS</u>
 <b><u>ASSETS</u></b>	
Cash	\$ 10,000
Total Assets	<u>\$ 10,000</u>
 <b><u>LIABILITIES</u></b>	
Liabilities	
Due to Other Funds	\$ 10,000
Total Liabilities	<u>\$ 10,000</u>

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

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Howard 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 Cass County and provides services to its residents in many areas including fire protection, community enrichment and development and human services. The Township is a general law township governed by a seven-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer and four trustees.

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. There are no other units that should be included in the financial statements.

The following entities are not included in the Township's financial statements but do represent an ongoing financial interest or responsibility:

Joint Venture

Southwestern Michigan Community Ambulance Service

Howard Township, in conjunction with five other local units of government (City of Buchanan, City of Niles, Township of Buchanan, Township of Niles, and Township of Bertrand) has entered into an agreement to create the Southwestern Michigan Community Ambulance Service. The joint ambulance board is composed of six members, of which each unit appoints one member. The joint ambulance administrative board prepares an annual operating budget, which is approved by a simple majority and submitted to the participating municipalities for appropriation. If there is a deficit and the budget stabilization fund is exhausted, each participating municipality will be requested to make an additional voluntary contribution to make up the deficit. The Township's financial responsibility is based on an annual special assessment of \$20 for each parcel of township property. For the year ended March 31, 2013, the Township's special assessment was \$58,700. A separate audit is conducted on the Southwestern Michigan Community Ambulance Service (SMCAS) which can be obtained at: 2100 West Chicago Road, Niles, Michigan 49120-8701.

HOWARD TOWNSHIP--CASS 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 primary government. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as 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 proprietary fund and 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 it is 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. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

HOWARD TOWNSHIP--CASS 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. 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 period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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

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 Weed Eradication Fund accounts for the special assessments restricted for eradicating weeds at Barron Lake.

The Improvement Capital Fund accounts for the funds set aside for future large equipment purchases or capital improvements.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the sewer operations of the Township.

Additionally, the Township reports the following fund type:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Bank Deposits and Investments

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

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.

Interfund 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, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

HOWARD TOWNSHIP--CASS COUNTY

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

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

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

	<u>Governmental Funds</u>	<u>Sewer</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Sewer System		50 years

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.

Howard Township reports the following restricted fund balances.

Special Revenue Funds

- Street Light Fund - This fund is used to account for revenues from special assessments assessed on residents to provide street lights.
- Building and Zoning Fund - This fund is used to account for revenues earmarked by law for building construction code enforcement activities within the Township.
- Weed Eradication Fund - This fund is used to account for revenues received from the special assessments levied for the purpose of eradicating weeds in Barron Lake.

Capital Project Fund

- Improvement Capital Fund - This fund is used to account for the appropriations made from the General Fund restricted for future capital improvements.

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

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

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 Township Board.

Howard Township does not have a formal minimum fund balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by the Township Board for the General Fund 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 budget as necessary. Unexpended appropriations lapse at year end. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted complies with all requirements established by Public Act 2 of 1968, as amended.

NOTE C--BANK DEPOSITS AND INVESTMENTS

Michigan Compiled Laws (MCL), 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.

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

HOWARD TOWNSHIP--CASS COUNTY

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

NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

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>Business-Type Activity</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 907,940	\$ 620,958	\$ 10,000	\$ 1,538,898
Total	<u>\$ 907,940</u>	<u>\$ 620,958</u>	<u>\$ 10,000</u>	<u>\$ 1,538,898</u>

The breakdown between deposits and investments are as follows:

	<u>Primary Government</u>
Bank Deposits (Checking, Savings Accounts and Certificates of Deposit)	\$ 1,538,398
Petty Cash and Cash on Hand	<u>500</u>
Total	<u>\$ 1,538,898</u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because nonnegotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township's deposits may not be recovered. 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 bank balance of the Township's deposits is \$1,581,075, of which \$369,331 is covered by NCUA depository insurance. The remaining balance of \$1,211,744 is uncollateralized.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in 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. The Township's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At March 31, 2013, the fair value of the Township's investments is listed above with all maturities due within 12 months or less.

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE D--PROPERTY TAXES/SPECIAL ASSESSMENTS

Property Taxes

The Township's property tax is 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. Payment from the county for the 2012 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the General Fund.

The 2012 taxable value of the Township amounted to \$169,855,266, on which ad valorem taxes of .7774 mills were levied for Township operating purposes. The 2012 tax levy raised \$132,599 for Township operating and is recorded as revenue on Township records in the General Fund for the fiscal year ended March 31, 2013.

Special Assessments

The Township has created two special assessment districts for street lights and weed eradication. The 2013 assessments raised \$7,980 and \$21,000 for the Street Light Fund and the Weed Eradication Fund, respectively. The assessments are recorded as revenue on Township records for the fiscal year ended March 31, 2013.

Taxes Receivable--Delinquent

Delinquent taxes receivable in the General Fund of \$12,070 consists of uncollected real property taxes levied December 1, 2012, which have not been collected at March 31, 2013.

Special Assessments

The special assessments receivable, as of March 31, 2013, consist of \$265 for the Sewer Fund (proprietary fund). The receivable was created when the Township and the residents in the applicable assessment districts agreed to the special assessments.

Special Assessments Receivable--Delinquent

Delinquent special assessments receivables in the Street Light Fund and Weed Eradication Fund of \$1,248 and \$1,200, respectively, consists of uncollected special assessments levied December 1, 2012, which have not been collected at March 31, 2013.

NOTE E--ACCOUNTS RECEIVABLE

The General Fund has an accounts receivable amount of \$7,939 for a franchise fee receivable from the local cable company. The receivable is not offset by deferred revenue.

HOWARD TOWNSHIP--CASS COUNTY

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

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 13,327	Agency Non-Major Governmental Building	\$ 10,000  3,327
Total Primary Government	<u>\$ 13,327</u>		<u>\$ 13,327</u>

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The amount of interfund payables represents the amount owed by the tax fund to the general fund at fiscal year-end. Also, the building fund owed the general fund for interfund goods and services provided and/or reimbursable expenditures which occurred.

The 2013 operating transfers from Exhibit D can be summarized as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Improvement Capital Nonmajor	\$ 6,000 <u>6,000</u>	General	\$ 12,000 <u>-</u>
Total	<u>\$ 12,000</u>		<u>\$ 12,000</u>

Transfers are used to move unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

HOWARD TOWNSHIP--CASS COUNTY

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

NOTE G--CAPITAL ASSETS

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

	Beginning Balance <u>4/1/12</u>	<u>Increased</u>	<u>Decreases</u>	Ending Balance <u>03/31/13</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 90,850	\$ -	\$ -	\$ 90,850
Subtotal	<u>90,850</u>	<u>-</u>	<u>-</u>	<u>90,850</u>
Capital Assets Being Depreciated				
Land Improvements	226,402	4,026	-	230,428
Buildings and Building Improvements	277,461	11,231	-	288,692
Equipment	682,697	12,139	82,980	611,856
Vehicles	<u>705,829</u>	<u>30,833</u>	<u>162,284</u>	<u>574,378</u>
Subtotal	<u>1,892,389</u>	<u>58,229</u>	<u>245,264</u>	<u>1,705,354</u>
Less Accumulated Depreciation				
Land Improvements	137,420	7,711	-	145,131
Buildings and Building Improvements	144,157	5,857	-	150,014
Equipment	477,242	61,657	82,980	455,919
Vehicles	<u>650,481</u>	<u>25,273</u>	<u>162,284</u>	<u>513,470</u>
Subtotal	<u>1,409,300</u>	<u>100,498</u>	<u>245,264</u>	<u>1,264,534</u>
Net Capital Assets Being Depreciated	<u>483,089</u>	<u>(42,269)</u>	<u>-</u>	<u>440,820</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 573,939</u>	<u>\$ (42,269)</u>	<u>\$ -</u>	<u>\$ 531,670</u>

Depreciation expense for the year was \$100,498.

HOWARD TOWNSHIP--CASS COUNTY

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

NOTE G--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Sewer System	\$ 1,725,000	\$ -	\$ -	\$ 1,725,000
Subtotal	<u>1,725,000</u>	<u>-</u>	<u>-</u>	<u>1,725,000</u>
Less Accumulated Depreciation for				
Sewer System	621,000	34,500	-	655,500
Subtotal	<u>621,000</u>	<u>34,500</u>	<u>-</u>	<u>655,500</u>
Net Capital Assets Being Depreciated	<u>1,104,000</u>	<u>(34,500)</u>	<u>-</u>	<u>1,069,500</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,104,000</u>	<u>\$ (34,500)</u>	<u>\$ -</u>	<u>\$ 1,069,500</u>

The depreciation expense was \$34,500 during the year.

Depreciation expense was charged to programs of the primary government, as follows:

Governmental Activities	
General Government	\$ 15,400
Public Safety	70,047
Recreation and Culture	<u>15,051</u>
Total Governmental Activities	<u>\$ 100,498</u>
Business-Type Activities	
Sewer	<u>\$ 34,500</u>
Total Business-Type Activities	<u>\$ 34,500</u>

NOTE H--EMPLOYEE PENSION PLAN

Description of Plan and Plan Assets

The Township of Howard participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. MERS provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death and post-retirement adjustments to plan members and their beneficiaries. There is one group of employees classified as general. The service requirement for general employees is computed

HOWARD TOWNSHIP--CASS COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

NOTE H--EMPLOYEE PENSION PLAN (Continued)

using credited service at the time of termination of membership multiplied by the sum of 1.5% times the final average compensation. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2012.

MERS was established in 1946 under Public Act 135 of 1945 and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township Board, which requires the members (employer) to contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. During 2012, employee contributions totaled \$0 and the employer contributions totaled \$5,948. The Township is required to contribute at an actuarially determined rate which was 7.48% of the annual payroll based on the 2010 actuarial valuation beginning on January 1, 2012.

Annual Pension Cost

During the calendar year ended December 31, 2012, the Township's contributions were \$5,948 in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2010. The Township paid the required contribution. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members' retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$ 6,463	100%	\$0
2011	6,318	100%	0
2012	5,948	100%	0

## HOWARD TOWNSHIP--CASS COUNTY

### NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2013

#### NOTE I--RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The Township participates in the Michigan Townships' Participating Plan for the following policies: general liability, property, vehicle and fire. The Township has insurance with the Accident Fund Company for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

#### 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. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure.

The Township also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. 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.

HOWARD TOWNSHIP--CASS COUNTY

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

NOTE K--UPCOMING REPORTING CHANGE

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2015 fiscal year.

**HOWARD TOWNSHIP--CASS COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR  
EMPLOYEE PENSION BENEFITS  
For the Fiscal Year Ended March 31, 2013**

Required Supplementary Information-Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Overfunded (Unfunded) AAL (UAAL) (1)-(2)</u>	<u>Funded Ratio (1)/(2)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2010	\$ 68,246	\$62,622	\$ 5,624	109%	\$ 73,332	0%
2011	79,695	77,359	2,058	104%	73,324	0%
2012	89,901	97,571	(7,670)	92%	79,223	10%

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

**EXHIBIT I**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 208,000	\$ 218,000	\$ 187,385	\$ (30,615)
Licenses and Permits	31,200	37,300	33,569	(3,731)
State Grants	417,500	467,500	456,391	(11,109)
Charges for Services	18,300	21,300	10,312	(10,988)
Fines and Forfeits	5,500	5,600	(230)	(5,830)
Interest and Rentals	21,000	21,000	11,683	(9,317)
Other Revenues	20,000	28,034	18,021	(10,013)
Total Revenue	<u>721,500</u>	<u>798,734</u>	<u>717,131</u>	<u>(81,603)</u>
Expenditures				
General Government	321,825	352,265	311,463	40,802
Public Safety	166,007	168,007	148,666	19,341
Public Works	120,000	159,000	158,416	584
Community and Economic Development	32,309	34,759	33,322	1,437
Recreation and Culture	56,000	59,600	57,996	1,604
Capital Outlay	20,000	58,700	58,229	471
Total Expenditures	<u>716,141</u>	<u>832,331</u>	<u>768,092</u>	<u>64,239</u>
Excess of Revenues Over (Under) Expenditures	5,359	(33,597)	(50,961)	(17,364)
Other Financing Sources (Uses)				
Operating Transfers (Out)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Net Change in Fund Balance	(6,641)	(45,597)	(62,961)	(17,364)
Fund Balance--April 1, 2012	<u>749,092</u>	<u>749,092</u>	<u>799,760</u>	<u>50,668</u>
Fund Balance--March 31, 2013	<u>\$ 742,451</u>	<u>\$ 703,495</u>	<u>\$ 736,799</u>	<u>\$ 33,304</u>

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

**HOWARD TOWNSHIP--CASS COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
WEED ERADICATION--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended March 31, 2013**

**EXHIBIT J**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original*</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Other Revenues	\$ -	\$ 21,000	\$ 21,000	\$ -
Total Revenue	-	21,000	21,000	-
Expenditures				
Public Works	-	21,000	21,000	-
Total Expenditures	-	21,000	21,000	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance--April 1, 2012	-	-	-	-
Fund Balance--March 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\*No original budget was approved as the special assessments for this fund were not approved by residents until after the start of the fiscal year.

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

**HOWARD TOWNSHIP--CASS COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 March 31, 2013**

**EXHIBIT K**

	<b>SPECIAL REVENUE FUNDS</b>		
	<u>Street Lights</u>	<u>Building</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 11,373	\$ 42,675	\$ 54,048
Delinquent Assessments Receivable	1,248	-	1,248
Total Assets	<u>\$ 12,621</u>	<u>\$ 42,675</u>	<u>\$ 55,296</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Current Liabilities			
Accounts Payable	\$ 915	\$ -	\$ 915
Due to Other Funds	-	3,327	3,327
Total Liabilities	<u>915</u>	<u>3,327</u>	<u>4,242</u>
Fund Balances			
Restricted	<u>11,706</u>	<u>39,348</u>	<u>51,054</u>
Total Liabilities and Fund Balance	<u>\$ 12,621</u>	<u>\$ 42,675</u>	<u>\$ 55,296</u>

**HOWARD TOWNSHIP--CASS COUNTY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended March 31, 2013**

**EXHIBIT L**

	<b>SPECIAL REVENUE FUNDS</b>		
	<u>Street Lights</u>	<u>Building</u>	<u>Total</u>
Revenues			
Licenses and Permits	\$ -	\$ 32,153	\$ 32,153
Interest and Rentals	-	56	56
Other Revenue	7,980	-	7,980
Total Revenues	<u>7,980</u>	<u>32,209</u>	<u>40,189</u>
Expenditures			
Public Safety	-	46,523	46,523
Public Works	10,936	-	10,936
Total Expenditures	<u>10,936</u>	<u>46,523</u>	<u>57,459</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,956)</u>	<u>(14,314)</u>	<u>(17,270)</u>
Other Financing Sources (Uses) Operating Transfers In	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Net Change in Fund Balances	3,044	(14,314)	(11,270)
Fund Balance--April 1, 2012	<u>8,662</u>	<u>53,662</u>	<u>62,324</u>
Fund Balance--March 31, 2013	<u>\$ 11,706</u>	<u>\$ 39,348</u>	<u>\$ 51,054</u>

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

**EXHIBIT M**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Taxes				
Current Property Taxes	\$ 130,000	\$ 140,000	\$ 121,582	\$ (18,418)
Delinquent Real Property Taxes	13,000	13,000	11,017	(1,983)
Delinquent Personal Property Taxes	500	500	264	(236)
Trailer Park Taxes	1,000	1,000	740	(260)
Industrial Facility Tax	1,000	1,000	788	(212)
Penalties/Interest	3,000	3,000	1,226	(1,774)
Administration Fees	59,500	59,500	51,768	(7,732)
Total Taxes and Penalties	<u>208,000</u>	<u>218,000</u>	<u>187,385</u>	<u>(30,615)</u>
Licenses and Permits				
Junk Permits	100	200	200	-
Cable Franchise Fees	25,000	30,000	29,190	(810)
Dog Licenses	300	300	139	(161)
Public Utility Franchise Fee	100	100	-	(100)
Land Variances	500	1,500	1,125	(375)
Conditional Use Permits	800	800	400	(400)
Hardship Permits	400	400	-	(400)
Land Division	2,000	2,000	1,200	(800)
Private Road Applications	500	500	-	(500)
Zoning Permits	1,500	1,500	1,315	(185)
Total Licenses and Permits	<u>31,200</u>	<u>37,300</u>	<u>33,569</u>	<u>(3,731)</u>
State Grants				
State Revenue Sharing	411,000	461,000	450,831	(10,169)
Metro Act	6,500	6,500	5,560	(940)
Total State Grants	<u>417,500</u>	<u>467,500</u>	<u>456,391</u>	<u>(11,109)</u>
Charges for Services				
Fire Runs	4,000	4,000	1,500	(2,500)
Cemetery Plots	1,000	1,000	600	(400)
Cemetery Staking	300	300	100	(200)
Elections	2,000	5,000	4,761	(239)
Other Charges	11,000	11,000	3,351	(7,649)
Total Charges for Services	<u>18,300</u>	<u>21,300</u>	<u>10,312</u>	<u>(10,988)</u>

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

**EXHIBIT M  
(CONTINUED)**

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Fines and Forfeits				
Ordinance Fines	2,000	2,000	205	(1,795)
Enforcement Fines	3,500	3,600	(435)	(4,035)
Total Fines and Forfeits	5,500	5,600	(230)	(5,830)
Interest and Rents				
Interest Earned	15,000	15,000	6,933	(8,067)
Hall Rental	4,000	4,000	3,850	(150)
Park Rental	2,000	2,000	900	(1,100)
Total Interest and Rents	21,000	21,000	11,683	(9,317)
Other Revenues				
Building, Electrical, Mechanical, Plumbing Reimbursements	6,500	6,500	3,327	(3,173)
Sewer Reimbursements	12,000	12,000	5,025	(6,975)
Donations	1,500	1,500	1,635	135
Refunds and Reimbursements	-	8,034	8,034	-
Total Other Revenues	20,000	28,034	18,021	(10,013)
Total Revenues	<u>\$ 721,500</u>	<u>\$ 798,734</u>	<u>\$ 717,131</u>	<u>\$ (81,603)</u>

**HOWARD TOWNSHIP--CASS COUNTY  
STATEMENT OF EXPENDITURES AND OTHER  
FINANCING USES--BY ACTIVITY  
BUDGET AND ACTUAL--GENERAL FUND  
For the Fiscal Year Ended March 31, 2013**

**EXHIBIT N**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Positive (Negative)</u>
General Government				
Township Board	\$ 13,536	\$ 13,536	\$ 12,261	\$ 1,275
Supervisor	26,558	40,058	38,830	1,228
Audit	6,000	6,440	6,440	-
Assessor	33,852	33,852	33,208	644
Attorney	4,000	10,000	9,883	117
Clerk	65,454	68,654	68,049	605
Board of Review	1,745	1,745	861	884
Treasurer	81,405	82,205	64,240	17,965
Elections	10,400	16,900	16,729	171
Building and Grounds	74,000	74,000	58,054	15,946
Cemetery	4,875	4,875	2,908	1,967
<b>Total General Government</b>	<b>321,825</b>	<b>352,265</b>	<b>311,463</b>	<b>40,802</b>
Public Safety				
Police Services	70,900	70,900	56,547	14,353
Fire Department	90,107	92,107	91,450	657
Ordinance Enforcement	5,000	5,000	669	4,331
<b>Total Public Safety</b>	<b>166,007</b>	<b>168,007</b>	<b>148,666</b>	<b>19,341</b>
Public Works				
Roads	120,000	159,000	158,416	584
<b>Total Public Works</b>	<b>120,000</b>	<b>159,000</b>	<b>158,416</b>	<b>584</b>
Community and Economic Development				
Zoning Administrator	23,874	25,824	25,305	519
Zoning Board of Appeals	8,435	8,935	8,017	918
<b>Total Community and Economic Development</b>	<b>32,309</b>	<b>34,759</b>	<b>33,322</b>	<b>1,437</b>
Recreation and Culture				
Parks	56,000	59,600	57,996	1,604
<b>Total Recreation and Culture</b>	<b>56,000</b>	<b>59,600</b>	<b>57,996</b>	<b>1,604</b>
Capital Outlay	20,000	58,700	58,229	471
<b>Total Expenditures</b>	<b>716,141</b>	<b>832,331</b>	<b>768,092</b>	<b>64,239</b>
Other Financing (Uses)				
Operating Transfers (Out)	12,000	12,000	12,000	-
<b>Total Other Financing (Uses)</b>	<b>12,000</b>	<b>12,000</b>	<b>12,000</b>	<b>-</b>
<b>Total Expenditures and Other Financing Uses</b>	<b>\$ 728,141</b>	<b>\$ 844,331</b>	<b>\$ 780,092</b>	<b>\$ 64,239</b>



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

September 11, 2013

Howard Township Board  
1345 Barron Lake Road  
Niles, Michigan 49120

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 Council 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, the business-type activities, each major fund, and the aggregate remaining fund information of Howard Township, Cass County, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise Howard Township's basic financial statements, have issued our report thereon dated September 11, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Howard 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 Howard Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Howard 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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. However, material weaknesses may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Responses listed as Finding 2009-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Howard 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Howard Township's Responses to Findings**

Howard Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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 results of that testing, and not to provide an opinion on the effectiveness of Howard Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howard 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 11, 2013

Howard Township Board  
1345 Barron Lake Road  
Niles, Michigan 49120

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howard Township, Cass County, Michigan, for the fiscal year ended March 31, 2013, and have issued our report thereon dated September 11, 2013. Professional standards require that we provide you with 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 September 6, 2012, our responsibility, as described by professional standards, is to express an opinion 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 Howard 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 financial statements are free of material misstatement, we performed tests of Howard 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 July 10, 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 Howard Township are described in Note A to the financial statements. As described in Note J to the financial statements, Howard Township changed accounting policies related to fund balance descriptions by adopting Statement of Governmental Accounting Standards (GASB Statement) Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989*, 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 Howard 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 the depreciation is based on the straight-line method for all other capital assets. 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, a disagreement with management is 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 11, 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 Howard 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 Howard Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Howard Township's Board and management of Howard 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

HOWARD TOWNSHIP--CASS 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 entity'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.

MATERIAL WEAKNESSES

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.

*Criteria:* All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government'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 Township Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Township to outsource this duty to its external auditors. If the Township continues to rely on its external auditors to prepare the financial statements, 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:* It would not be cost effective for the Township to hire staff with GAAP financial qualifications.