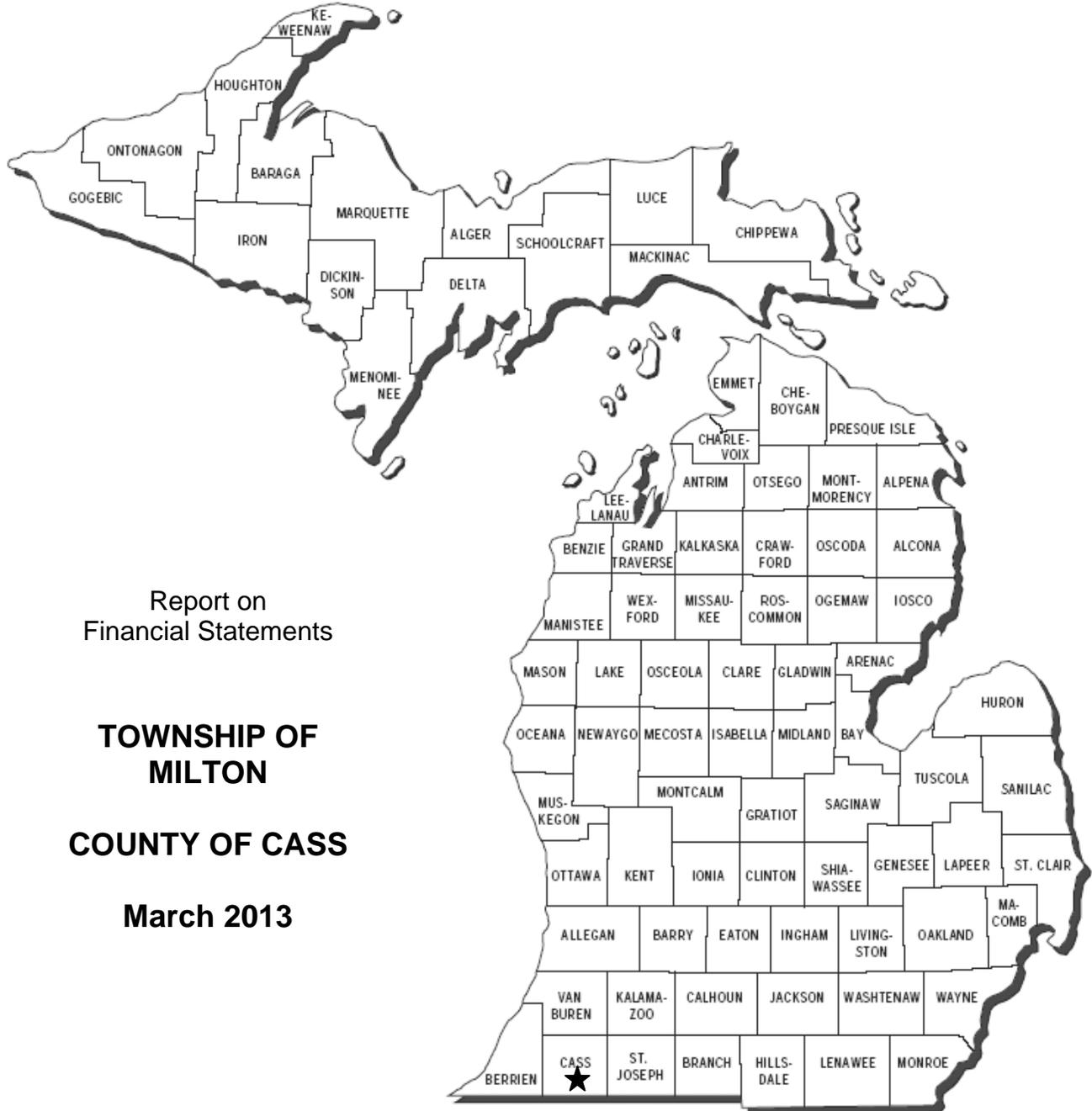


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on  
Financial Statements

**TOWNSHIP OF  
MILTON**

**COUNTY OF CASS**

**March 2013**

MILTON TOWNSHIP--CASS COUNTY

TOWNSHIP BOARD

Robert Benjamin  
Supervisor

Sue Kronewitter  
Clerk

Susan Flowers  
Treasurer

Eric Renken  
Trustee

Kelly Sweeney  
Trustee

TOWNSHIP POPULATION--2010  
3,878

TAXABLE VALUATION--2012  
\$124,976,203



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

August 26, 2013

Milton Township Board  
32097 Bertrand Street  
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, each major fund, and the aggregate remaining fund information of Milton 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 Milton 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, each major fund, and the aggregate remaining fund information of Milton 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 budgetary comparison information Exhibits F and G 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 Milton Township's basic financial statements. The accompanying supplementary and related information presented in Exhibits H and I 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 H and I 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 H and I 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 August 26, 2013, on our consideration of Milton 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 the Milton Township's internal control over financial reporting and compliance.



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

MILTON TOWNSHIP--CASS COUNTY

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## MILTON TOWNSHIP--CASS COUNTY

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

Our discussion and analysis of Milton 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. 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, the Township presents Governmental activities. All of the Township's basic services are reported here, including the fire, public works, and general administration. Property taxes, special assessments, franchise fees, and state grants finance most of these activities.

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

**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 are the Fire Fund and Ambulance Fund. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund financial 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 a reconciliation included with the financial statements as Exhibit C and D.

*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 increased from \$1,224,289 to \$1,278,632 or \$54,343 for the year ended March 31, 2013. This is similar to the previous year when the net position increased \$128,616. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Township's governmental activities.

**MILTON TOWNSHIP--CASS COUNTY**

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

**Table 1  
Net Position of Governmental Activities**

	3/31/12 Governmental Activities	3/31/13 Governmental Activities	Variance
Current and Other Assets	\$ 982,053	\$ 1,041,196	\$ 59,143
Net Capital Assets	<u>249,639</u>	<u>245,854</u>	<u>(3,785)</u>
Total Assets	<u>1,231,692</u>	<u>1,287,050</u>	<u>55,358</u>
Current Liabilities	<u>7,403</u>	<u>8,418</u>	<u>1,015</u>
Total Liabilities	<u>7,403</u>	<u>8,418</u>	<u>1,015</u>
Net Position			
Investment in Capital Assets	249,639	245,854	(3,785)
Restricted	23,652	28,190	4,538
Unrestricted	<u>950,998</u>	<u>1,004,588</u>	<u>53,590</u>
Total Net Position	<u>\$ 1,224,289</u>	<u>\$ 1,278,632</u>	<u>\$ 54,343</u>

Over-all net position of the Township's governmental activities increased by 4.4% or \$54,343 (\$1,278,632 compared to \$1,224,289). There was a decrease of \$3,785 in the investment in capital assets due to the continued depreciation of the Township's assets offset by the purchase of a new siren system. The increase in the restricted net position in the amount of \$4,538 is the result the newly approved fire millage. Finally, the unrestricted net position increase in the amount of \$53,590 was due the continuation of expenditures at the current rate, well below the revenues being received after revenue sharing was increased last year for the revised census.

**MILTON TOWNSHIP--CASS COUNTY**

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

**Table 2  
Changes in Net Position of Governmental Activities**

	<u>2012</u>	<u>2013</u>	<u>Difference</u>
Program Revenues			
Charges for Services	\$ 46,402	\$ 48,378	\$ 1,976
Operating Grants and Contributions	2,839	2,953	114
General Revenues			
Property Taxes	101,138	231,415	130,277
State-Shared Revenues	332,529	281,670	(50,859)
Franchise Fees	25,840	27,702	1,862
Unrestricted Investment Earnings	8,061	3,216	(4,845)
Rents	1,975	800	(1,175)
Other Revenue	<u>2,384</u>	<u>28,429</u>	<u>26,045</u>
Total Revenues	<u>521,168</u>	<u>624,563</u>	<u>103,395</u>
Program Expenses			
General Government	171,451	226,550	(55,099)
Public Safety	117,803	139,938	(22,135)
Public Works	25,290	120,997	(95,707)
Health and Welfare	23,880	24,300	(420)
Community and Economic Development	33,483	39,953	(6,470)
Recreation and Culture	500	784	(284)
Other	<u>20,145</u>	<u>17,698</u>	<u>2,447</u>
Total Expenses	<u>392,552</u>	<u>570,220</u>	<u>(177,668)</u>
Change in Net Position	<u>128,616</u>	<u>54,343</u>	<u>(74,273)</u>
Ending Net Position	<u>\$ 1,224,289</u>	<u>\$ 1,278,632</u>	<u>\$ 54,343</u>

**THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental funds (as presented in the balance sheet on Exhibit C) reported a fund balance of \$1,032,778 which is more than last year's \$974,650. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph. The Township's major funds included the General Fund and the Fire Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and public works activities. These services are supported by the operating millage and State-shared revenues. The Fire Fund performs public safety and is supported by an extra voted millage.

MILTON TOWNSHIP--CASS COUNTY

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

GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Township Board amended the budget to take into account events during the year. The most significant changes occurred on the expenditure side as the attorney fees increased due to the process of changing ambulance providers to Southwestern Michigan Community Ambulance Services (SMCAS) and increasing capital outlay for the purchase of the new siren system. Finally, during the year, the General Fund's budget was also amended to move the fire and ambulance activity to the newly created Fire and Ambulance Funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets*

As of March 31, 2013, the Township had \$245,854 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net decrease (including additions and deductions) of \$3,785.

Table 3  
Capital Assets at Year-End

	<u>3/31/12</u>	<u>3/31/13</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 25,000	\$ 25,000
Subtotal	<u>25,000</u>	<u>25,000</u>
Capital Assets Being Depreciated		
Buildings and Improvements	206,087	206,087
Equipment	8,450	29,808
Infrastructure--Roads	<u>80,824</u>	<u>80,824</u>
Subtotal	<u>295,361</u>	<u>316,719</u>
Total Capital Assets	320,361	341,719
Total Accumulated Depreciation	<u>(70,722)</u>	<u>(95,865)</u>
Total Net Capital Assets	<u>\$ 249,639</u>	<u>\$ 245,854</u>

This year's only capital asset addition was \$21,358 for a siren system.

The Township's fiscal-year 2013/2014 capital budget calls for a construction of a new Township Hall. The Township will have to issue debt to finance this project. More detailed information about the Township's capital assets is presented in Note G to the financial statements.

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

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

The Township's budget for 2013/2014 will increase sharply because of one-time charges due to the construction of a new township hall building and an increase of road projects. Additional road projects were added by the Township to make use of the Cass County's Road Commission's last year of providing matching funds for local roads. Township revenues are expected to be increasing due to taxable value increases related to new construction.

**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 32097 Bertrand Street, Niles, Michigan 49120.

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

**EXHIBIT A**

<u>ASSETS</u>	<u>Governmental Activities</u>
Current Assets	
Bank Deposits and Investments	\$ 971,760
Receivables	
Delinquent Taxes Receivable	16,050
Delinquent Special Assessments Receivable	2,180
Accounts	7,139
Due From State	43,487
Due From Other Units of Government	580
	<hr/>
Total Current Assets	1,041,196
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	245,854
	<hr/>
Total Noncurrent Assets	245,854
	<hr/>
Total Assets	\$ 1,287,050
	<hr/> <hr/>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities	
Accounts Payable	\$ 4,046
Accrued Liabilities	4,285
Deferred Revenue	87
	<hr/>
Total Liabilities	8,418
	<hr/>
Net Position	
Net Investment in Capital Assets	245,854
Restricted for	
Fire Fund	25,574
Construction Code Costs	2,616
Unrestricted	1,004,588
	<hr/>
Total Net Position	\$ 1,278,632
	<hr/> <hr/>

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

**MILTON TOWNSHIP--CASS 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) REVENUE AND CHANGES IN NET POSITION</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Primary Government				
Governmental Activities				
General Government	\$ 226,550	\$ 15	\$ -	\$ (226,535)
Public Safety	139,938	21,288	-	(118,650)
Public Works	120,997	-	2,953	(118,044)
Health and Welfare	24,300	24,300	-	-
Community and Economic Development	39,953	2,775	-	(37,178)
Recreation and Culture	784	-	-	(784)
Other	17,698	-	-	(17,698)
Total Governmental Activities	<u>\$ 570,220</u>	<u>\$ 48,378</u>	<u>\$ 2,953</u>	<u>\$ (518,889)</u>
	General Revenues			
	Property Taxes			\$ 231,415
	State-Shared Revenues			281,670
	Franchise Fees			27,702
	Unrestricted Investment Earnings			3,216
	Rents			800
	Other			28,429
	Total General Revenues			<u>573,232</u>
	Change in Net Position			54,343
	Net Position--Beginning			<u>1,224,289</u>
	Net Position--Ending			<u>\$ 1,278,632</u>

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

**MILTON 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>Fire</u>	<u>Non-Major Ambulance Fund</u>	<u>Total Governmental Funds</u>
Current Assets				
Bank Deposits and Investments	\$ 971,740	\$ 20	\$ -	\$ 971,760
Receivables				
Delinquent Taxes Receivable	7,126	8,924	-	16,050
Delinquent Special Assessments Receivable	-	-	2,180	2,180
Accounts	7,139	-	-	7,139
Due From State	43,487	-	-	43,487
Due From Other Units of Government	-	-	580	580
Due From Other Funds	2,760	16,630	-	19,390
	<u>2,760</u>	<u>16,630</u>	<u>-</u>	<u>19,390</u>
Total Assets	<u>\$ 1,032,252</u>	<u>\$ 25,574</u>	<u>\$ 2,760</u>	<u>\$ 1,060,586</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Current Liabilities				
Accounts Payable	\$ 4,046	\$ -	\$ -	\$ 4,046
Accrued Liabilities	4,285	-	-	4,285
Due to Other Funds	16,630	-	2,760	19,390
Deferred Revenue	87	-	-	87
	<u>25,048</u>	<u>-</u>	<u>2,760</u>	<u>27,808</u>
Total Liabilities	<u>25,048</u>	<u>-</u>	<u>2,760</u>	<u>27,808</u>
Fund Balances				
Restricted				
Fire Fund	-	25,574	-	25,574
Construction Code Costs (See Note H)	2,616	-	-	2,616
Unassigned	1,004,588	-	-	1,004,588
	<u>1,007,204</u>	<u>25,574</u>	<u>-</u>	<u>1,032,778</u>
Total Fund Balances	<u>1,007,204</u>	<u>25,574</u>	<u>-</u>	<u>1,032,778</u>
Total Liabilities and Fund Balances	<u>\$ 1,032,252</u>	<u>\$ 25,574</u>	<u>\$ 2,760</u>	<u>\$ 1,060,586</u>
Total Fund Balances--Total Governmental Funds				1,032,778

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.

245,854

Net Position of Governmental Activities

\$ 1,278,632

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

**MILTON 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**

	<u>General</u>	<u>Fire</u>	<u>Non-Major Amulance Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes and Penalties	\$ 107,873	\$ 123,542	\$ -	\$ 231,415
Licenses and Permits	48,990	-	-	48,990
State Grants	284,623	-	-	284,623
Charges for Services	2,790	-	-	2,790
Interest and Rentals	4,016	-	-	4,016
Other Revenue	28,429	-	24,300	52,729
	<u>476,721</u>	<u>123,542</u>	<u>24,300</u>	<u>624,563</u>
Total Revenues				
Expenditures				
General Government	219,708	-	-	219,708
Public Safety	39,834	97,968	-	137,802
Public Works	104,832	-	-	104,832
Health and Welfare	-	-	24,300	24,300
Community and Economic Development	39,953	-	-	39,953
Recreation and Culture	784	-	-	784
Other	17,698	-	-	17,698
Capital Outlay	21,358	-	-	21,358
	<u>444,167</u>	<u>97,968</u>	<u>24,300</u>	<u>566,435</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	32,554	25,574	-	58,128
Fund Balance--April 1, 2012	<u>974,650</u>	<u>-</u>	<u>-</u>	<u>974,650</u>
Fund Balance--March 31, 2013	<u>\$ 1,007,204</u>	<u>\$ 25,574</u>	<u>\$ -</u>	<u>\$ 1,032,778</u>
Excess of Revenue Over (Under) Expenditures				\$ 58,128
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, sales or disposals of capital assets are recorded as general revenue in the Statement of Activities, and the costs of capital assets are allocated over their estimated useful lives as depreciation.				<u>(3,785)</u>
Change in Net Position of Governmental Activities				<u>\$ 54,343</u>

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

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

**EXHIBIT E**

	<u><b>AGENCY FUNDS</b></u>
 <b><u>ASSETS</u></b>	
Cash	\$ 161
Total Assets	<u>\$ 161</u>
 <b><u>LIABILITIES</u></b>	
Liabilities	
Undistributed Taxes	\$ 161
Total Liabilities	<u>\$ 161</u>

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

MILTON 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 Milton 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 five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer and two 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

Milton Township, in conjunction with two other local units of government (Village of Edwardsburg and the Township of Ontwa) entered into an intergovernmental agreement to create the Edwardsburg Ambulance Service for the purpose of providing ambulance services. The joint ambulance board is composed of six members, of which each unit appoints two members. 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. 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 \$24,300. A separate audit is conducted on the Edwardsburg Ambulance Service (EAS) which can be obtained at 26253 US Highway 12, Edwardsburg, Michigan 49112-2100.

Jointly Governed Organization

The Township is a member of the Edwardsburg Joint Fire Board, along with Ontwa and Jefferson Townships. Each township appoints two members and one at-large appointment who have full responsibility for management and operation of the Edwardsburg Joint Fire Department and approval of the annual budget. During fiscal year 2013, the Township paid \$42,207 to the Fire Board for fire protection services. A separate audit is conducted on the Edwardsburg Joint Fire Board which may be obtained from the Village of Edwardsburg offices or the Fire Board at 26771 US Highway 12, P.O. Box 181, Edwardsburg, Michigan 49112.

MILTON 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 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 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.

MILTON 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.

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 Fire Fund accounts for the funds set aside for the operations and purchase of the fire station.

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.

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.

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.

MILTON TOWNSHIP--CASS COUNTY

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

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

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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated 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.

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

Building and Building Improvements	20 to 40 years
Vehicles	3 to 10 years
Equipment	3 to 10 years
Infrastructure	5 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

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.

MILTON TOWNSHIP--CASS 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.

Milton Township reports the following restricted fund balances.

Special Revenue Funds

- Fire Fund - This fund is used to account for revenues from special assessments levied for the operation of local Fire Departments.
- Ambulance Fund - This fund is used to account for special assessments levied to provide ambulance services to the Township.

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 Milton Township's Board.

Milton Township has not adopted a 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 after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds; however, the prepared budget was not in accordance with the Uniform Chart of Accounts. The budget is adopted at the line item level and control is exercised at the line item level. The Township monitors and amends the budget as necessary. Unexpended appropriations lapse at year end.

MILTON TOWNSHIP--CASS COUNTY

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

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 three banks and one credit union 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.

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 Fund</u>	<u>Total</u>
Bank Deposits and Investments	<u>\$ 971,760</u>	<u>\$ 161</u>	<u>\$ 971,921</u>

The breakdown between deposits and investments are as follows:

	<u>Primary Government</u>
Bank Deposits (Checking, Savings Accounts and Certificates of Deposit)	\$ 971,571
Petty Cash and Cash on Hand	<u>350</u>
Total	<u>\$ 971,921</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.

MILTON TOWNSHIP--CASS COUNTY

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

NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

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 \$1,005,303, of which \$817,501 is covered by Federal depository insurance and by the NCUA. The remaining balance of \$187,802 is uncollateralized.

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.

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 and Fire Funds.

The 2012 taxable value of the Township amounted to \$124,976,203, on which ad valorem taxes of .7997 mills and 1 mill were levied for Township operating purposes and fire protection. The 2012 tax levy raised \$99,825 and \$123,542 for Township operating and fire protection and is recorded as revenue on Township records in the General Fund and Fire Fund for the fiscal year ended March 31, 2013.

Special Assessments

The Township has created a special assessment district of all real property in the Township to provide ambulance services. The Township assesses \$20 per parcel for the service. The 2012 assessments raised \$24,300 for ambulance services and are recorded as revenue on Township records in the Ambulance Fund for the fiscal year ended March 31, 2013.

MILTON TOWNSHIP--CASS COUNTY

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

NOTE D--PROPERTY TAXES/SPECIAL ASSESSMENTS (Continued)

Taxes Receivable--Delinquent

Delinquent taxes receivables in the General Fund and Fire Fund of \$7,126 and \$8,924, respectively, consists of uncollected real property taxes levied December 1, 2012, which have not been collected at March 31, 2013.

Special Assessments Receivable--Delinquent

Special assessments receivable in the Ambulance Fund of \$2,180 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 \$7,139 for a franchise fee receivable from the local cable company. The receivable is not offset by deferred revenue.

NOTE F--INTERFUND RECEIVABLES AND PAYABLES

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	\$ 2,760	Nonmajor Governmental	\$ 2,760
Fire	<u>16,630</u>	General	<u>16,630</u>
Total Primary Government	<u>\$ 19,390</u>		<u>\$ 19,390</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.

MILTON 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>04/01/12</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>03/31/13</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Subtotal	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	206,087	-	-	206,087
Equipment	8,450	21,358	-	29,808
Infrastructure--Roads	<u>80,824</u>	<u>-</u>	<u>-</u>	<u>80,824</u>
Subtotal	<u>295,361</u>	<u>21,358</u>	<u>-</u>	<u>316,719</u>
Less Assumulated Depreciation				
Buildings and Building Improvements	39,714	5,152	-	44,866
Equipment	6,760	3,826	-	10,586
Infrastructure--Roads	<u>24,248</u>	<u>16,165</u>	<u>-</u>	<u>40,413</u>
Subtotal	<u>70,722</u>	<u>25,143</u>	<u>-</u>	<u>95,865</u>
Net Capital Assets Being Depreciated	<u>224,639</u>	<u>(3,785)</u>	<u>-</u>	<u>220,854</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 249,639</u>	<u>\$ (3,785)</u>	<u>\$ -</u>	<u>\$ 245,854</u>

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

Governmental Activities	
General Government	\$ 6,842
Public Safety	2,136
Public Works	<u>16,165</u>
Total Governmental Activities	<u>\$ 25,143</u>

MILTON TOWNSHIP--CASS COUNTY

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

NOTE H--CONSTRUCTION CODE COSTS

Construction Code Fees – The Township oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000, is as follows:

Surplus at April 1, 2012		\$	23,652
Current year permit revenue			21,238
Related expenses:			
Direct costs	\$	(18,052)	
Estimated indirect costs		<u>(24,222)</u>	(42,274)
Current year deficit			<u>(21,036)</u>
Cumulative surplus at March 31, 2013		\$	<u>2,616</u>

NOTE I--DEFINED CONTRIBUTION PENSION PLAN

The Township provides an employee retirement plan for all its elected officials and other Township employees through a defined contribution pension plan. In a defined contribution pension plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township is required to contribute 6.2 percent of a participant’s compensation, with the employee making a mandatory after-tax matching contribution of an additional 6.2 percent. In addition to the mandatory contributions, employees may make additional voluntary after-tax contributions ranging from one (1) to ten (10) percent of the participant’s compensation. Plan provisions and contribution requirements are established and may be amended by the Township Board.

Contributions actually made by plan members and the Township amounted to \$5,695 during fiscal year ended March 31, 2013.

NOTE J--DEFERRED REVENUE

The Township entered into a 99-year lease with the Cass County Road Commission (the Commission) for \$1 a year. The Commission utilized Township property to build a garage for road machinery and equipment. The full amount was received by the Township and will be deferred until earned. The total rental income for March 31, 2013, was \$1. The amount of deferred revenue remaining is \$87.

MILTON TOWNSHIP--CASS COUNTY

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

NOTE K--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 workman's 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 L--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*. 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.

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

**EXHIBIT F**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$ 115,000	\$ 108,855	\$ 107,873	\$ (982)
Licenses and Permits	35,225	41,883	48,990	7,107
State Grants	280,000	282,953	284,623	1,670
Charges for Services	2,020	2,265	2,790	525
Interest and Rentals	4,000	4,000	4,016	16
Other Revenue	26,265	27,351	28,429	1,078
Total Revenues	<u>462,510</u>	<u>467,307</u>	<u>476,721</u>	<u>9,414</u>
Expenditures				
General Government	190,943	245,828	219,708	26,120
Public Safety	126,400	40,766	39,834	932
Public Works	100,152	105,953	104,832	1,121
Health and Welfare	24,800	-	-	-
Community and Economic Development	47,860	45,885	39,953	5,932
Recreation and Culture	1,034	784	784	-
Other	30,050	26,750	17,698	9,052
Capital Outlay	-	23,000	21,358	1,642
Total Expenditures	<u>521,239</u>	<u>488,966</u>	<u>444,167</u>	<u>44,799</u>
Excess of Revenues Over (Under) Expenditures	<u>(58,729)</u>	<u>(21,659)</u>	<u>32,554</u>	<u>54,213</u>
Fund Balance--April 1, 2012	<u>974,650</u>	<u>974,650</u>	<u>974,650</u>	<u>-</u>
Fund Balance--March 31, 2013	<u>\$ 915,921</u>	<u>\$ 952,991</u>	<u>\$ 1,007,204</u>	<u>\$ 54,213</u>

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

**EXHIBIT G**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original*</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	<u>\$ -</u>	<u>\$ 97,968</u>	<u>\$ 123,542</u>	<u>\$ 25,574</u>
Total Revenues	<u>-</u>	<u>97,968</u>	<u>123,542</u>	<u>25,574</u>
Expenditures				
Public Safety	<u>-</u>	<u>97,968</u>	<u>97,968</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>97,968</u>	<u>97,968</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>25,574</u>	<u>25,574</u>
Fund Balance--April 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--March 31, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 25,574</u></u>	<u><u>\$ 25,574</u></u>

\*No original budget was adopted as the new tax levy was not approved by the voters until August 2012, after the fiscal year had started.

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

**EXHIBIT H**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Property Taxes				
Current Property Taxes	\$ 111,000	\$ 99,767	\$ 91,659	\$ (8,108)
Delinquent Property Taxes	-	-	7,126	7,126
Interest and Penalties	-	1,040	1,040	-
Summer Administration Fee	4,000	8,048	8,048	-
Total Property Taxes	<u>115,000</u>	<u>108,855</u>	<u>107,873</u>	<u>(982)</u>
Licenses and Permits				
Building Permits	9,000	9,000	9,137	137
Electrical Permits	3,800	6,300	6,102	(198)
Mechanical Permits	2,000	5,395	5,395	-
Plumbing Permits	1,200	604	604	-
Franchise Fees	19,200	20,563	27,702	7,139
Dog Licenses	25	21	50	29
Total Licenses and Permits	<u>35,225</u>	<u>41,883</u>	<u>48,990</u>	<u>7,107</u>
State Grants				
Metro Act	-	2,953	2,953	-
Revenue Sharing	280,000	280,000	281,670	1,670
Total State Grants	<u>280,000</u>	<u>282,953</u>	<u>284,623</u>	<u>1,670</u>
Charge for Services				
Conditional Use Fees	500	500	500	-
Freedom of Information Act Fees	20	15	15	-
Land Split Fees	-	450	700	250
Site Plan Reviews	500	800	825	25
Zoning Hearings	1,000	500	750	250
Total Charge for Services	<u>2,020</u>	<u>2,265</u>	<u>2,790</u>	<u>525</u>
Interest and Rentals				
Interest	3,000	3,000	3,216	216
Smith Chapel Rent	1,000	1,000	800	(200)
Total Interest and Rentals	<u>4,000</u>	<u>4,000</u>	<u>4,016</u>	<u>16</u>
Other Revenue				
Special Assessments	24,800	-	-	-
Building Department Reimbursements	-	24,222	24,222	-
Other	1,465	3,129	4,207	1,078
Total Other Revenue	<u>26,265</u>	<u>27,351</u>	<u>28,429</u>	<u>1,078</u>
Total Revenue	<u>\$ 462,510</u>	<u>\$ 467,307</u>	<u>\$ 476,721</u>	<u>\$ 9,414</u>

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

**EXHIBIT I**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board	\$ 50,652	\$ 68,869	\$ 56,838	\$ 12,031
Supervisor	11,298	13,454	13,111	343
Clerk	16,545	17,269	16,534	735
Audit	6,000	5,980	5,980	-
Board of Review	2,610	2,759	2,559	200
Treasurer	25,957	29,216	25,850	3,366
Assessor	15,932	21,309	21,057	252
Elections	5,949	7,126	7,093	33
Building and Grounds	17,300	25,527	20,047	5,480
Smith Chapel	22,700	3,054	2,107	947
Attorney Fees	16,000	51,265	48,532	2,733
Total General Government	190,943	245,828	219,708	26,120
Public Safety				
Fire Protection	111,000	-	-	-
Building Department	15,400	40,766	39,834	932
Total Public Safety	126,400	40,766	39,834	932
Public Works				
Road Projects	91,952	98,453	97,347	1,106
Street Lights	5,700	6,000	5,992	8
Trash Day	2,500	1,500	1,493	7
Total Public Works	100,152	105,953	104,832	1,121
Health and Welfare				
Ambulance	24,800	-	-	-
Total Health and Welfare	24,800	-	-	-
Community and Economic Development				
Planning Commission	30,800	29,700	24,463	5,237
Zoning Board of Appeals	1,660	955	822	133
Zoning Department	15,400	15,230	14,668	562
Total Community and Economic Development	47,860	45,885	39,953	5,932
Recreation and Culture				
Parks	1,034	784	784	-
Total Recreation and Culture	1,034	784	784	-
Other				
Employer Share of Withholdings	5,050	7,250	3,718	3,532
Pension Costs	11,000	7,300	5,695	1,605
Insurance and Bonds	14,000	12,200	8,285	3,915
Total Other	30,050	26,750	17,698	9,052
Capital Outlay	-	23,000	21,358	1,642
Total Capital Outlay	-	23,000	21,358	1,642
Total Expenditures	\$ 521,239	\$ 488,966	\$ 444,167	\$ 44,799



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

August 26, 2013

Milton Township Board  
32097 Bertrand Street  
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 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 Milton 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 Milton Township's basic financial statements, have issued our report thereon dated August 26, 2013.

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

In planning and performing our audit, we considered Milton 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 Milton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Milton 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 Findings 2012-1, 2012-2, 2012-4 and 2013-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Milton 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*.

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

Milton 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 Milton 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 Milton 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

August 26, 2013

Milton Township Board  
32097 Bertrand Street  
Niles, Michigan 49120

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milton Township, Cass County, Michigan, as of and for the year ended March 31, 2013, and have issued our report thereon dated August 26, 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 December 14, 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 Milton 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 Milton 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 June 24, 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 Milton Township are described in Note A to the financial statements. As described in Note L to the financial statements, Milton 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 Milton 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 August 26, 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 Milton 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 Milton 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 Milton Township Board and management of Milton 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

MILTON TOWNSHIP--CASS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the 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.

The Township is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material deficiencies and other matters listed below. Segregation of duties require 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.

MATERIAL WEAKNESSES

Preparation of Financial Statements in Accordance With Generally Accepted Accounting Principles (GAAP)

*Finding 2012-1*

*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.

MILTON TOWNSHIP--CASS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

MATERIAL WEAKNESSES (Continued)

*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.

Segregation of Incompatible Duties

*Finding 2012-2*

*Condition:* As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have resulted in a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a Township's internal controls carries with it a greater risk of fraud and abuse.

MILTON TOWNSHIP--CASS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

MATERIAL WEAKNESSES (Continued)

*Findings:* In our review of Township's operating procedures, we found the following lack of segregation of duties.

- Cash Collections and Receipting Process -- The Treasurer is primarily responsible for preparing receipts, preparing deposits, making deposits, investigates any discrepancies related to cash, and reconciling the bank statements.
- Accounts Payable/Disbursements -- The Clerk opens mail related to invoices, posts invoices to the system, edits the vendor master file, investigates discrepancies or issues involving expenditures, prepares the checks, and mails the checks.
- Payroll -- the Clerk is responsible for inputting the payroll, editing the payroll master file, and resolving employee payroll inquiries.

*Effect:* The Township is exposed to an increased risk that misstatements or misappropriations may occur and not be detected by management on a timely basis.

*Criteria:* Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Township's unique circumstances.

*Recommendation:* Although it is difficult to balance the costs and benefits of internal controls and the segregation of duties, we nonetheless encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation and approval of accounting functions by qualified Township personnel as possible.

*Management's Response:* The Township has analyzed the cost of hiring additional staff and has determined it not cost effective to hire additional staff.

Accruals

*Finding 2012-4*

*Condition:* Accruals (accounts receivable and accrued wages) were not properly recorded.

*Criteria:* Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable and accounts payable be established to properly match the fiscal year's revenues and expenditures.

*Cause:* Township personnel were not aware the receivable balances needed to be recorded as they have not been posted in prior years.

*Effect:* The corresponding revenue and expenditure accounts are not reflective of activity for the period as revenue and expense accounts were understated.

MILTON TOWNSHIP--CASS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended March 31, 2013

*Recommendation:* We recommend that the Township record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective general ledger accounts.

*Management's Response:* The Township will establish procedures to accurately reflect the accrual of accounts receivable and accrued wages. Two months after the end of the fiscal year, reviews will be applied to all invoices in order to process the expense to the actual fiscal year. Payroll pay dates will be changed to reduce the entries to accrued wages, resulting in one payroll paid in the month of May to accrue for April.

Reconciliation of the General Checking Account

*Finding 2013-1*

*Condition:* The general checking account was not reconciled at the start of the 2013 audit.

*Criteria:* The Uniform Accounting Procedures Manual issued by the Department of Treasury states the following related to bank statements:

Recordkeeping Responsibilities--The treasurer, or designated individual, must keep track of the total cash and investments allocable each fund, and must reconcile these amounts to each month's bank statements. A listing of all cash and investments, along with a copy of the bank reconciliations, must be provided to the local unit accountant or bookkeeper each month. The accountant or bookkeeper must reconcile the cash and investments recorded in the general ledger to either the treasurer's reconciliation (if it is adequately reconciled to the bank statements) or to the bank statements directly.

*Cause:* While reconciliations procedures were being performed, the entire process was not being completed as the Treasurer and Clerk were utilizing two different Quickbook files, timing issues occurred in the record of electronic transfers, and there was not a full understanding of how to use the Quickbooks system to reconcile the records.

*Effect:* The financial effect was that the cash was incorrect and could affect the financial decision making of the Board.

*Recommendation:* We recommend that the Township establish a procedure to ensure that the bank accounts are reconciled timely. We further recommend a procedure be established to provide oversight and approval of the bank reconciliations to provide checks and balances verifying the accuracy and timeliness of the procedure.

*Management's Response:* During a computer upgrade of the network, the Quickbooks file on the network that the Clerk and Treasurer use became corrupted. When Intuit fixed the corrupted file, they placed the new file on the Clerk's local computer and not the network, causing the Clerk's office to use a different file than the Treasurer's office. Once the issue was discovered, the Township's IT person worked at moving the files and syncing the Clerk and Treasurer onto the same file again. Balancing between the two offices has resumed without disruption since. The Township board has allocated funding for any needed additional Quickbook training for both the Clerk and Treasurer's offices.