

**DeWitt Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2012**

DeWitt Charter Township

Clinton County, Michigan

December 31, 2012

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Diane Mosier	Clerk
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DeWitt Charter Township

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December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
DeWitt Charter Township  
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeWitt Charter Township (the Township) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 DeWitt Charter Township as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note L, the Township implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during 2012. As a result of this implementation, the format and reporting of the financial statements have changed to reflect the required components of GASB Statement No. 63, as applicable. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeWitt Charter Township's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 15, 2013

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

**Financial Reporting**

This discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2012:

- State shared revenue, our second largest revenue source in the General Fund, decreased \$41,430 in 2012. This major source of revenue continues to be unstable as the State of Michigan deals with changes in revenue collections and the formula used to disburse this money back to the municipalities.
- Property tax revenues decreased 2% or \$70,425 from the prior year. The decrease is the result of a slight decrease in the value of existing properties in the Township.
- The Township continues the practice of funding reserves for nonoperating expenditures. These include setting aside money from 425 Agreements, funding for future vehicle and equipment replacement, road improvements, and other general sewer system improvements.
- The Township increased net position in 2012 by \$1,162,790.

**Using this Annual Report**

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

**Government-wide Financial Statements.** The statement of net position and the statement of activities provide information about the activities of DeWitt Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of DeWitt Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which DeWitt Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

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

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

DeWitt Charter Township maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** DeWitt Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the budgetary comparison schedules. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

**The Township as a Whole**

The following table shows, in a condensed format, a comparative analysis of the net position as of December 31, 2012 and December 31, 2011.

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current and Other Assets	\$ 7,841,389	\$ 7,534,013	\$ 9,826,037	\$ 9,471,979	\$ 17,667,426	\$ 17,005,992
Capital Assets	9,126,632	9,232,924	12,646,225	12,668,344	21,772,857	21,901,268
<b>Total Assets</b>	<b>16,968,021</b>	<b>16,766,937</b>	<b>22,472,262</b>	<b>22,140,323</b>	<b>39,440,283</b>	<b>38,907,260</b>
<b>Liabilities</b>						
Current Liabilities	3,120,170	3,212,919	605,069	933,800	3,725,239	4,146,719
Noncurrent Liabilities	1,176,136	1,384,423	-	-	1,176,136	1,384,423
<b>Total Liabilities</b>	<b>4,296,306</b>	<b>4,597,342</b>	<b>605,069</b>	<b>933,800</b>	<b>4,901,375</b>	<b>5,531,142</b>
<b>Net Position</b>						
Net investment in capital assets	7,786,632	7,691,924	12,646,225	12,668,344	20,432,857	20,360,268
Restricted	146,630	155,717	-	-	146,630	155,717
Unrestricted	4,738,453	4,321,954	9,220,968	8,538,179	13,959,421	12,860,133
<b>Total Net Position</b>	<b>\$ 12,671,715</b>	<b>\$ 12,169,595</b>	<b>\$ 21,867,193</b>	<b>\$ 21,206,523</b>	<b>\$ 34,538,908</b>	<b>\$ 33,376,118</b>

Net position may serve over time as a useful indicator of a government's financial position. DeWitt Charter Township's assets exceeded liabilities by \$34,538,908 as of December 31, 2012. The most significant portion of the Township's net position (59 percent) reflects its investment in capital assets (e.g., land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$13,959,421 may be used to meet the Township's ongoing obligations to citizens and creditors.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

**The Township as a Whole - Continued**

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net position increased by \$1,162,790 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenue						
Program Revenue						
Charges for Service	\$ 1,204,036	\$ 1,171,272	\$ 2,039,548	\$ 1,956,915	\$ 3,243,584	\$ 3,128,187
Operating Grants & Contributions	126,770	969,233	-	-	126,770	969,233
Capital Grants & Contributions	251,117	320,095	-	-	251,117	320,095
General Revenue						
Property Taxes	2,596,290	2,666,715	-	-	2,596,290	2,666,715
425 Agreement	328,156	334,608	-	-	328,156	334,608
State Shared Revenue	1,042,182	1,083,612	-	-	1,042,182	1,083,612
Investment Earnings	17,199	80,577	31,334	79,361	48,533	159,938
SCCMUA Equity	-	-	67,874	288,235	67,874	288,235
Reimbursements	212,686	186,513	506,808	714,890	719,494	901,403
Gain on sale of assets	-	20,885	-	-	-	20,885
Miscellaneous	6,055	96	-	-	6,055	96
Total Revenue	5,784,491	6,833,606	2,645,564	3,039,401	8,430,055	9,873,007
Program Expenses						
General Government	1,641,894	1,583,425	-	-	1,641,894	1,583,425
Public Safety	2,299,207	2,154,081	-	-	2,299,207	2,154,081
Public Works	497,107	397,389	-	-	497,107	397,389
Community & Economic Development	430,743	1,228,746	-	-	430,743	1,228,746
Recreation & Culture	345,941	305,975	-	-	345,941	305,975
Sewer System	-	-	1,909,198	2,752,324	1,909,198	2,752,324
Water System	-	-	75,696	68,899	75,696	68,899
Interest on Long-term Debt	67,479	70,564	-	-	67,479	70,564
Total Program Expenses	5,282,371	5,740,180	1,984,894	2,821,223	7,267,265	8,561,403
Change in Net Position	<u>\$ 502,120</u>	<u>\$ 1,093,426</u>	<u>\$ 660,670</u>	<u>\$ 218,178</u>	<u>\$ 1,162,790</u>	<u>\$ 1,311,604</u>

**Governmental Activities**

Governmental activities increased the Township's net position by \$502,120 during fiscal year 2012. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$5,784,491, a decrease from the prior year governmental activities' revenue of \$6,833,606. The Township's revenue sources decreased approximately 15.3%. This can be attributed to a decrease in capital grants and contributions of \$68,978 and a decrease in operating grants and contributions of \$842,463. Investment earnings decreased \$63,378.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

**Governmental Activities - Continued**

The Township incurred governmental expenses of \$5,282,371 during 2012, a decrease of approximately 7.9% over 2011. The majority of these expenses are associated with providing general government services and public safety, which includes fire and police services.

**Business-type Activities**

Business-type activities increased the Township's net position by \$660,670 during fiscal year 2012. The primary reason for this increase in net position includes the increased equity in the Southern Clinton County Municipal Utilities Authority (SCCMUA). The majority (77%) of the revenue of the business-type activities is generated through user charges. The water system only generates interest income and expenses to the water system are minimal.

**The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DeWitt Charter Township as a whole. DeWitt Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2012, was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$2,022,784 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer System and the Water System at the end of the year amounted to \$8,324,757 and \$896,211, respectively. The increase in net position for the Sewer System for the fiscal year was \$724,161. Net position for the Water System decreased by \$63,491 in 2012. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund. The most significant amendment was an increase in capital outlay budgeted expenditures to account for capital improvements.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$21,772,857 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads within DeWitt Charter Township. These assets are not reported in DeWitt Charter Township's financial statements as capital assets because under Michigan law these roads are the property of the Clinton County Road Commission.

**Long-term Debt.** The Township made principal payments on existing obligations in the amount of \$201,000. The carrying amount of the Township's obligation for compensated absences increased by \$9,181. Refer to Note F on pages 22 through 23 for further details related to the Township's long-term debt.

DeWitt Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

**Current Economic Factors**

Signs indicated that the economic downturn maybe ending. New house starts are up and interest in commercial development is increasing. It is expected that property tax revenue will be slightly down in 2013 and then slowing increasing in 2014.

Revenue sharing continues to be a budgetary concern. While we expect to see increases in this significant source of revenue for 2013 and 2014, the State of Michigan still has discussions about this funding sources and changes to the formula may occur. Because this source of revenue is unstable significant revenue losses could occur.

With the current economic forecast and the State budgetary problems it is expected that revenues are certain to grow at a much slower pace than in the past.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Manager or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

DeWitt Charter Township  
STATEMENT OF NET POSITION

December 31, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 5,226,586	\$ 1,427,800	\$ 6,654,386
Receivables	1,413,675	562,856	1,976,531
Prepays	20,112	-	20,112
Due from other governmental units	553,477	17,701	571,178
<b>Total current assets</b>	<b>7,213,850</b>	<b>2,008,357</b>	<b>9,222,207</b>
Noncurrent assets			
Investments	796,974	917,248	1,714,222
Investment in SCCMUA	-	6,730,997	6,730,997
Internal balances	(169,435)	169,435	-0-
Capital assets not being depreciated	2,291,919	30,224	2,322,143
Capital assets, net of accumulated depreciation	6,834,713	12,616,001	19,450,714
<b>Total noncurrent assets</b>	<b>9,754,171</b>	<b>20,463,905</b>	<b>30,218,076</b>
<b>TOTAL ASSETS</b>	<b>16,968,021</b>	<b>22,472,262</b>	<b>39,440,283</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	128,579	103,996	232,575
Accrued liabilities	57,122	-	57,122
Accrued interest payable	9,891	-	9,891
Unearned revenue	2,589,993	501,073	3,091,066
Current portion of compensated absences	128,585	-	128,585
Current portion of long-term debt	206,000	-	206,000
<b>Total current liabilities</b>	<b>3,120,170</b>	<b>605,069</b>	<b>3,725,239</b>
Noncurrent liabilities			
Noncurrent portion of compensated absences	42,136	-	42,136
Noncurrent portion of long-term debt	1,134,000	-	1,134,000
<b>Total noncurrent liabilities</b>	<b>1,176,136</b>	<b>-0-</b>	<b>1,176,136</b>
<b>TOTAL LIABILITIES</b>	<b>4,296,306</b>	<b>605,069</b>	<b>4,901,375</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,786,632	12,646,225	20,432,857
Restricted	146,630	-	146,630
Unrestricted	4,738,453	9,220,968	13,959,421
<b>TOTAL NET POSITION</b>	<b>\$ 12,671,715</b>	<b>\$ 21,867,193</b>	<b>\$ 34,538,908</b>

See accompanying notes to financial statements.

DeWitt Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,641,894	\$ 785,544	\$ -	\$ -	\$ (856,350)	\$ -	\$ (856,350)
Public safety	2,299,207	31,361	2,449	239,965	(2,025,432)	-	(2,025,432)
Public works	497,107	184,918	-	11,152	(301,037)	-	(301,037)
Community and economic development	430,743	160,200	124,321	-	(146,222)	-	(146,222)
Recreation and culture	345,941	42,013	-	-	(303,928)	-	(303,928)
Interest on long-term debt	67,479	-	-	-	(67,479)	-	(67,479)
Total governmental activities	5,282,371	1,204,036	126,770	251,117	(3,700,448)	-0-	(3,700,448)
Business-type activities							
Sewer system	1,909,198	2,039,548	-	-	-	130,350	130,350
Water system	75,696	-	-	-	-	(75,696)	(75,696)
Total business-type activities	1,984,894	2,039,548	-0-	-0-	-0-	54,654	54,654
Total government	<u>\$ 7,267,265</u>	<u>\$ 3,243,584</u>	<u>\$ 126,770</u>	<u>\$ 251,117</u>	(3,700,448)	54,654	(3,645,794)
General revenues							
Property taxes					2,596,290	-	2,596,290
425 Agreement					328,156	-	328,156
State shared revenues					1,042,182	-	1,042,182
Investment earnings					17,199	31,334	48,533
Equity interest in SCCMUA operations					-	67,874	67,874
Reimbursements					212,686	506,808	719,494
Miscellaneous					6,055	-	6,055
Total general revenues					4,202,568	606,016	4,808,584
Change in net position					502,120	660,670	1,162,790
Net position, beginning of the year					12,169,595	21,206,523	33,376,118
Net position, end of the year					<u>\$ 12,671,715</u>	<u>\$ 21,867,193</u>	<u>\$ 34,538,908</u>

See accompanying notes to financial statements.

DeWitt Charter Township

Governmental Funds

BALANCE SHEET

December 31, 2012

	General	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,122,866	\$ 103,720	\$ 5,226,586
Investments	796,974	-	796,974
Receivables			
Accounts	197,696	-	197,696
Taxes	1,141,140	-	1,141,140
Special assessments	-	74,839	74,839
Due from other governmental units	432,937	120,540	553,477
Prepays	20,112	-	20,112
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,711,725</u></u>	<u><u>\$ 299,099</u></u>	<u><u>\$ 8,010,824</u></u>
<b>LIABILITIES</b>			
Payables			
Accounts	\$ 113,044	\$ 15,535	\$ 128,579
Accrued wages	57,122	-	57,122
Advance from other funds	169,435	-	169,435
Deferred revenue	2,758,166	130,707	2,888,873
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	3,097,767	146,242	3,244,009
<b>FUND BALANCES</b>			
Nonspendable	20,112	-	20,112
Restricted	-	152,857	152,857
Committed	2,028,280	-	2,028,280
Assigned	654,452	-	654,452
Unassigned	1,911,114	-	1,911,114
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>4,613,958</u>	<u>152,857</u>	<u>4,766,815</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 7,711,725</u></u>	<u><u>\$ 299,099</u></u>	<u><u>\$ 8,010,824</u></u>

See accompanying notes to financial statements.

DeWitt Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION

December 31, 2012

**Total fund balances - governmental funds** \$ 4,766,815

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 therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 13,681,287	
Accumulated depreciation is	<u>(4,554,655)</u>	
Capital assets, net		9,126,632

Certain amounts due from other governmental units are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations.	298,880
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and loans payable	1,340,000	
Accrued interest payable	9,891	
Compensated absences	<u>170,721</u>	
		<u>(1,520,612)</u>

**Net position of governmental activities** \$ 12,671,715

DeWitt Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 3,126,927	\$ -	\$ 3,126,927
Licenses and permits	77,017	-	77,017
Intergovernmental	1,285,160	169,658	1,454,818
Charges for services	670,714	-	670,714
Fines and forfeits	-	2,240	2,240
Interest and rents	65,133	9	65,142
Other	225,188	194,315	419,503
<b>TOTAL REVENUES</b>	<b>5,450,139</b>	<b>366,222</b>	<b>5,816,361</b>
<b>EXPENDITURES</b>			
Current			
General government	1,529,806	-	1,529,806
Public safety	2,022,784	4,221	2,027,005
Public works	281,012	204,147	485,159
Community and economic development	306,422	124,321	430,743
Recreation and culture	136,546	-	136,546
Debt service	64,381	205,479	269,860
Capital outlay	490,160	-	490,160
<b>TOTAL EXPENDITURES</b>	<b>4,831,111</b>	<b>538,168</b>	<b>5,369,279</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>619,028</b>	<b>(171,946)</b>	<b>447,082</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	6,052	-	6,052
Transfers in	-	169,086	169,086
Transfers out	(169,086)	-	(169,086)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(163,034)</b>	<b>169,086</b>	<b>6,052</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>455,994</b>	<b>(2,860)</b>	<b>453,134</b>
Fund balances, beginning of year	4,157,964	155,717	4,313,681
Fund balances, end of year	<u>\$ 4,613,958</u>	<u>\$ 152,857</u>	<u>\$ 4,766,815</u>

See accompanying notes to financial statements.

DeWitt Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

**Net change in fund balances - total governmental funds** **\$ 453,134**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 400,821	
Depreciation	<u>(507,113)</u>	
Excess of depreciation expense over capital outlay		(106,292)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current year these amounts consist of:

(Decrease) in deferred revenue		(37,922)
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Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond and loan principal retirement		201,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,381	
(Increase) in accrued compensated absences	<u>(9,181)</u>	
		<u>(7,800)</u>

**Change in net position of governmental activities** **\$ 502,120**

DeWitt Charter Township  
Proprietary Funds  
STATEMENT OF NET POSITION  
December 31, 2012

	<u>Sewer System</u>	<u>Nonmajor Enterprise Fund (Water System)</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,030,436	\$ 397,364	\$ 1,427,800
Accounts receivable	562,856	-	562,856
Due from other governmental units	17,701	-	17,701
Total current assets	1,610,993	397,364	2,008,357
Noncurrent assets			
Investments	587,836	329,412	917,248
Investment in SCCMUA	6,730,997	-	6,730,997
Advance to other funds	-	169,435	169,435
Capital assets not being depreciated	30,224	-	30,224
Capital assets, net of accumulated depreciation	12,616,001	-	12,616,001
Total noncurrent assets	19,965,058	498,847	20,463,905
TOTAL ASSETS	21,576,051	896,211	22,472,262
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	103,996	-	103,996
Unearned revenue	501,073	-	501,073
TOTAL LIABILITIES	605,069	-0-	605,069
<b>NET POSITION</b>			
Net investment in capital assets	12,646,225	-	12,646,225
Unrestricted	8,324,757	896,211	9,220,968
TOTAL NET POSITION	<u>\$ 20,970,982</u>	<u>\$ 896,211</u>	<u>\$ 21,867,193</u>

See accompanying notes to financial statements.

## DeWitt Charter Township

## Proprietary Funds

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2012

	<u>Sewer System</u>	Nonmajor Enterprise Fund (Water System)	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,936,492	\$ -	\$ 1,936,492
Penalties	43,256	-	43,256
	<u>1,979,748</u>	<u>-0-</u>	<u>1,979,748</u>
<b>OPERATING EXPENSES</b>			
Administrative charges	149,639	33,764	183,403
Legal, accounting, and engineering	37,565	602	38,167
Contractual services	1,515,282	-	1,515,282
Supplies	4,961	-	4,961
Repairs and maintenance	-	41,330	41,330
Depreciation	201,751	-	201,751
	<u>1,909,198</u>	<u>75,696</u>	<u>1,984,894</u>
<b>OPERATING INCOME (LOSS)</b>	<b>70,550</b>	<b>(75,696)</b>	<b>(5,146)</b>
<b>NONOPERATING REVENUES</b>			
Equity interest in 2012 SCCMUA operations	67,874	-	67,874
Reimbursement	506,808	-	506,808
Permits	3,175	-	3,175
Tap in fees	56,625	-	56,625
Interest revenue	19,129	12,205	31,334
	<u>653,611</u>	<u>12,205</u>	<u>665,816</u>
<b>CHANGE IN NET POSITION</b>	<b>724,161</b>	<b>(63,491)</b>	<b>660,670</b>
Net position, beginning of year	<u>20,246,821</u>	<u>959,702</u>	<u>21,206,523</u>
Net position, end of year	<u>\$ 20,970,982</u>	<u>\$ 896,211</u>	<u>\$ 21,867,193</u>

See accompanying notes to financial statements.

DeWitt Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

	<u>Sewer System</u>	<u>Nonmajor Enterprise Fund (Water System)</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,956,543	\$ 1,531	\$ 1,958,074
Cash paid to suppliers	(1,904,185)	(41,932)	(1,946,117)
Cash paid for administrative charges	(149,639)	(33,764)	(183,403)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(97,281)</b>	<b>(74,165)</b>	<b>(171,446)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Permits revenue	3,175	-	3,175
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Tap in fees	56,625	-	56,625
Capital acquisitions	(179,632)	-	(179,632)
Cash received from other funds	-	54,278	54,278
Cash received from other governmental units	489,107	-	489,107
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>366,100</b>	<b>54,278</b>	<b>420,378</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	19,129	12,205	31,334
Purchases of investments	-	(70,056)	(70,056)
Maturities of investments	216,290	-	216,290
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>235,419</b>	<b>(57,851)</b>	<b>177,568</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>507,413</b>	<b>(77,738)</b>	<b>429,675</b>
Cash and cash equivalents, beginning of year	523,023	475,102	998,125
Cash and cash equivalents, end of year	<u>\$ 1,030,436</u>	<u>\$ 397,364</u>	<u>\$ 1,427,800</u>

DeWitt Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2012

	<u>Sewer System</u>	<u>Nonmajor Enterprise Fund (Water System)</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities			
Operating income (loss)	\$ 70,550	\$ (75,696)	\$ (5,146)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities			
Depreciation	201,751	-	201,751
(Increase) decrease in:			
Accounts receivable	(40,851)	1,531	(39,320)
Increase (decrease) in:			
Accounts payable	(346,377)	-	(346,377)
Unearned revenue	17,646	-	17,646
	<u>17,646</u>	<u>-</u>	<u>17,646</u>
 NET CASH (USED) BY OPERATING ACTIVITIES	 <u>\$ (97,281)</u>	 <u>\$ (74,165)</u>	 <u>\$ (171,446)</u>

Note: The Township adjusted its equity interest in Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund for \$67,874 to reflect the 2012 activity at SCCMUA.

DeWitt Charter Township

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	Agency Funds		Total
	Trust and Agency	Current Tax Collection	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 167,942	\$ 1,266,408	\$ 1,434,350
<b>LIABILITIES</b>			
Due to other governmental units			
State	\$ -	\$ 12,473	\$ 12,473
County	-	91,365	91,365
Schools	-	1,038,005	1,038,005
Library	-	88,595	88,595
Clinton Area Transit System	-	35,456	35,456
Due to individuals and agencies	150,229	514	150,743
Refunds payable	17,713	-	17,713
<b>TOTAL LIABILITIES</b>	<b>\$ 167,942</b>	<b>\$ 1,266,408</b>	<b>\$ 1,434,350</b>

See accompanying notes to financial statements.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

DeWitt Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements present the financial activities of DeWitt Charter Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of DeWitt Charter Township contain all the funds controlled by the Township Board.

2. Joint Ventures

DeWitt Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. DeWitt Charter Township currently is represented by five (5) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority. A copy of SCCMUA's audit can be obtained at their administrative offices.

The members of the Authority and approximate percentage of responsibility are as follows:

DeWitt Charter Township	56%
City of DeWitt	11%
Watertown Township	16%
Bath Charter Township	17%

For the year ended December 31, 2012, DeWitt Charter Township contributed \$1,491,818 to cover its share of operational costs and reserve activities. Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2012, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. DeWitt Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 2000.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Ventures - Continued

DeWitt Charter Township is a member of the DeWitt Area Recreation Authority, which is a joint venture between DeWitt Charter Township and the City of DeWitt. The Authority was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The current funding formula approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 67 and 33 percent, respectively. In 2012 the Township contributed \$64,368. A copy of the DeWitt Area Recreation Authority's audit can be obtained from DeWitt Charter Township's administrative offices.

3. Jointly Governed Organizations

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility:

Under Public Act 24 of 1989, DeWitt Charter Township, in conjunction with the City of DeWitt, created the DeWitt Public Library which is considered a District Library. In 2005, the Library began to serve a portion of Watertown Charter Township. The DeWitt Public Library board is composed of seven (7) members, three (3) of which are appointed by DeWitt Charter Township. The Township has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund and aggregated nonmajor funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Township reports the following major governmental fund:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - Continued

The Township reports the following major enterprise fund:

- The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

The Township also reports agency funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency funds are the Current Tax Collections Fund and the Trust and Agency Fund.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - Continued

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/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.

7. Budgets and Budgetary Accounting

The General Fund's budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. The Township budgets and accounts for certain activities using separate funds even though those activities do not meet the requirements of Special Revenue Funds and are reported in the General Fund under GASB Statement No. 54. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Manager submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include U.S. Government Securities. All investments are stated at market value.

9. Receivables

Receivables consist of amounts due from various individuals, governments, and businesses related to charges for services, amounts owed to the Township from special assessments, grants, and taxes levied that have not been collected.

10. Property Tax

DeWitt Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2012 tax is levied and collectible on December 1, 2012, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$4.4726 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2012, the Township levied 3.9736 mills for general governmental services, 1.0000 mills for police services, and 1.0000 mills for fire services in December 2011. The total taxable value for the 2011 levy for the property within the Township was \$435,074,988.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Capital Assets - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and improvements	25 - 40 years
Sewer system/lines/pump stations	75 - 100 years
Machinery and equipment	30 - 40 years
Vehicles	4 - 20 years
Office furniture and equipment	14 - 25 years
Flowage rights	50 years

12. Deferred and Unearned Revenue

Deferred and unearned revenue consists of property taxes for which there is an enforceable claim as of December 31, 2012, but which are levied to finance year 2013 operations and sewer usage fees the Township bills in advance of services provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The government-wide and proprietary fund financial statements report unearned revenues that are unavailable to liquidate liabilities of the current period.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Currently, the Township does not report any deferred outflows of resources or deferred inflows of resources.

14. Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2012, including related payroll taxes, is recorded entirely in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

17. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2012, the carrying amount of the Township's deposits was \$7,457,299 and the bank balance was \$8,329,102, of which \$5,105,767 was covered by federal depository insurance. The remaining balance of \$3,223,335 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increases significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents may be substantially higher at these peak periods than at year-end.

The cash and cash equivalents caption on the financial statements include \$150 in petty cash and \$300 held in trust with Ingham County.

Investments

As of December 31, 2012, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Moody's Rating</u>	<u>%</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name				
Federal Home Loan Mortgage Corporation	\$ 721,218	19.27 years	Aaa	30.8%
Federal National Mortgage Association	564,126	22.88 years	Aaa	24.1%
Government National Mortgage Association	<u>428,878</u>	19.47 years	Aaa	<u>18.3%</u>
	1,714,222			73.1%
Uncategorized pooled investment funds	<u>630,987</u>	N/A	N/A	<u>26.9%</u>
	<u>\$ 2,345,209</u>			<u>100.0%</u>

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2012, the Township investment in the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Government National Mortgage Association investments were rated Aaa by Moody's.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2012:

	<u>Primary Government</u>	<u>Fiduciary</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,654,386	\$ 1,434,350	\$ 8,088,736
Investments	<u>1,714,222</u>	<u>-</u>	<u>1,714,222</u>
	<u>\$ 8,368,608</u>	<u>\$ 1,434,350</u>	<u>\$ 9,802,958</u>

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 169,086</u>

Transfers were used to move unrestricted General Fund revenues to finance operating costs and debt service payments that the Township must account for in other funds.

**NOTE D: INTERNAL BALANCES**

The following schedule details advances receivable and payable between funds of the primary government at December 31, 2012:

Advance from nonmajor enterprise fund to:	
General Fund	<u>\$ 169,435</u>

The advance to the General Fund was made for the purpose of financing the purchase of fire apparatus.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance Jan. 1, 2012	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2012
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,301,211	\$ -	\$ (9,292)	\$ 2,291,919
Construction in progress	365,734	303,280	(669,014)	-0-
 Total capital assets not being depreciated	 2,666,945	 303,280	 (678,306)	 2,291,919
Capital assets being depreciated				
Land improvements	2,909,044	678,306	-	3,587,350
Buildings and improvements	4,651,011	38,540	-	4,689,551
Machinery and equipment	858,489	9,087	(41,400)	826,176
Flowage rights	155,124	-	-	155,124
Vehicles	1,981,778	49,914	(116,046)	1,915,646
Office equipment and furniture	314,561	-	(99,040)	215,521
 Total capital assets being depreciated	 10,870,007	 775,847	 (256,486)	 11,389,368
Less accumulated depreciation for:				
Land improvements	(946,988)	(173,392)	-	(1,120,380)
Buildings and improvements	(1,856,129)	(126,804)	-	(1,982,933)
Machinery and equipment	(491,526)	(35,674)	41,400	(485,800)
Flowage rights	(21,717)	(3,102)	-	(24,819)
Vehicles	(793,516)	(123,488)	116,046	(800,958)
Office equipment and furniture	(194,152)	(44,653)	99,040	(139,765)
 Total accumulated depreciation	 (4,304,028)	 (507,113)	 256,486	 (4,554,655)
 Net capital assets being depreciated	 6,565,979	 268,734	 -0-	 6,834,713
 Net capital assets - governmental activities	 \$ 9,232,924	 \$ 572,014	 \$ (678,306)	 \$ 9,126,632

Depreciation expense was changed to the following governmental activities:

General government	\$ 102,907
Public safety	182,863
Public works	11,948
Recreation and culture	209,395
	<u>507,113</u>
	<u>\$ 507,113</u>

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE E: CAPITAL ASSETS - CONTINUED**

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 30,224	\$ -	\$ -	\$ 30,224
Capital assets being depreciated				
Sewer system	17,329,778	179,632	-	17,509,410
Equipment	74,707	-	-	74,707
Total capital assets being depreciated	17,404,485	179,632	-0-	17,584,117
Less accumulated depreciation for:				
Sewer system	(4,691,658)	(201,751)	-	(4,893,409)
Equipment	(74,707)	-	-	(74,707)
Total accumulated depreciation	(4,766,365)	(201,751)	-0-	(4,968,116)
Net capital assets being depreciated	12,638,120	(22,119)	-0-	12,616,001
Net capital assets - business-type activities	<u>\$ 12,668,344</u>	<u>\$ (22,119)</u>	<u>\$ -0-</u>	<u>\$ 12,646,225</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2012:

	Balance Jan. 1, 2012	Additions	Deletions	Balance Dec. 31, 2012	Amount Due Within One Year
<b>Governmental activities</b>					
1998 General Obligation Bonds	\$ 1,200,000	\$ -	\$ 110,000	\$ 1,090,000	\$ 115,000
1995 Limited Tax General Obligation Bonds	145,000	-	35,000	110,000	35,000
Installment loan payable - fire station	196,000	-	56,000	140,000	56,000
Compensated absences	161,540	178,178	168,997	170,721	128,585
	<u>\$ 1,702,540</u>	<u>\$ 178,178</u>	<u>\$ 369,997</u>	<u>\$ 1,510,721</u>	<u>\$ 334,585</u>

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$2,150,000 Unlimited General Obligation Township Facility Construction Bonds, Series 1998, dated December 1, 1998 due in annual installments ranging from \$115,000 to \$160,000 through May 1, 2020 with interest ranging from 4.500 to 4.625 percent, payable semi-annually.	\$ 1,090,000
\$450,000 Limited Tax General Obligation Clinton County Water Supply System Bonds, Series 1995, dated July 1, 1995, due in annual installments ranging from \$35,000 to \$40,000 through May 1, 2015, with interest of 6.20 percent, payable semi-annually.	110,000
\$840,000 Installment Purchase Agreement, due in semi-annual installments ranging from \$28,300 to \$29,504 through May 1, 2015, including interest at 2.15%, payable semi-annually, for property acquisition and construction of a fire station.	<u>140,000</u>
	<u><u>\$ 1,340,000</u></u>

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$170,721 for vacation and sick at December 31, 2012. The amounts of \$128,585 and \$42,136 have been reported as current and noncurrent liabilities, respectively.

The annual requirements to pay the debt principal and interest outstanding for the bonds and installment purchase agreement are as follows:

Year Ending December 31,	1998 Unlimited Tax General Obligation Bonds		Water Supply System Limited Tax General Obligation Bonds		Installment Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 115,000	\$ 46,929	\$ 35,000	\$ 5,735	\$ 56,000	\$ 2,708
2014	120,000	41,641	35,000	3,565	56,000	1,504
2015	125,000	36,128	40,000	1,240	28,000	301
2016	130,000	30,391	-	-	-	-
2017	140,000	24,316	-	-	-	-
2018-2020	<u>460,000</u>	<u>32,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,090,000</u>	<u>\$ 211,957</u>	<u>\$ 110,000</u>	<u>\$ 10,540</u>	<u>\$ 140,000</u>	<u>\$ 4,513</u>

During the year ended December 31, 2000, the Township entered into an agreement with the Lansing Board of Water & Light (BWL) transferring ownership of the Water System to the BWL. In return, the BWL has agreed to transfer funds to the Township sufficient to pay the General Obligation Bond liability related to the Water System as it becomes due. Because the Water System debt is no longer intended to be repaid with usage fees generated by the system, the Water Supply System Limited Tax General Obligation Bonds were transferred from the Water System Fund and are recorded on the Statement of Net Position and a Debt Service Fund has been established to account for future debt payments.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: RETIREMENT PLANS**

TOWNSHIP GENERAL

DeWitt Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of its employees excluding the supervisory and nonsupervisory police personnel for the Township. The DeWitt Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2012, DeWitt Charter Township made contributions for all eligible participating employees equal to 10-15% of their base compensation.

All eligible employees participate in the plan. The contributions fund the premiums for ordinary life insurance tax-deferred annuities and various pooled investment funds with the John Hancock Life Insurance Company.

For the year ended December 31, 2012, DeWitt Charter Township had a total payroll excluding the supervisory and nonsupervisory police employees of \$1,164,553. The DeWitt Charter Township Defined Contribution Retirement Plan had a covered payroll of \$1,051,663. DeWitt Charter Township made employer contributions to the retirement plan in the amount of \$110,355. Members of the plan made employee contributions to the retirement plan in the amount of \$10,377.

CHIEF OF POLICE

DeWitt Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Chief of Police for the Township. The DeWitt Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may not contribute additional amounts. During the year ended December 31, 2012, DeWitt Charter Township made contributions equal to 10% of the base compensation. The Chief of Police is the only employee eligible to participate.

All eligible employees participate in the plan. The contributions fund the premiums for ordinary life insurance tax deferred annuities and various pooled investment funds with the Michigan Municipal Employees Retirement System.

For the year ended December 31, 2012, the DeWitt Charter Township Defined Contribution Retirement Plan had a covered payroll of \$66,550. DeWitt Charter Township made employer contributions to the retirement plan in the amount of \$6,655.

POLICE

Plan Description

The Township also participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all supervisory and nonsupervisory Police employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System 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 System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE G: RETIREMENT PLANS - CONTINUED**

Annual Pension Cost

For year ended December 31, 2012, the Township's annual pension cost of \$103,146 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2010, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial value of assets	\$ 2,380,491	\$ 2,691,395	\$ 3,005,432
Actuarial accrued liability (entry age)	2,978,739	3,171,887	3,760,670
Unfunded AAL	598,248	480,492	755,238
Funded ratio	80 %	85 %	80 %
Covered payroll	861,325	871,684	846,385
UAAL as a percentage of covered payroll	69 %	55 %	89 %

  

	Year Ended December 31,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual pension cost	\$ 103,187	\$ 108,345	\$ 103,146
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**NOTE H: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE I: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2012:

Governmental activities	
Public safety	\$ 10,201
Street lighting	131,856
Drain assessments	<u>4,573</u>
	<u>\$ 146,630</u>

**NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, DeWitt Charter Township's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Township Trustees are authorized to assign amounts to a specific purpose. The authorization has been delegated by the Township Trustees to the Township Manager.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE J: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS - CONTINUED**

Fund Balance Classification Policies and Procedures - Continued

For the classification of fund balances, DeWitt Charter Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, DeWitt Charter Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

	<u>General Fund</u>	Nonmajor Governmental Funds	<u>Total</u>
Fund Balances			
Nonspendable			
Prepays	\$ 20,112	\$ -	\$ 20,112
Restricted			
Police training	-	5,904	5,904
Street lighting	-	131,856	131,856
Drug forfeiture	-	4,297	4,297
Remy Chandler drain	-	4,573	4,573
Debt service	-	6,227	6,227
Committed			
Nonoperating expenditures	1,864,805	-	1,864,805
Budget stabilization	163,475	-	163,475
Assigned			
Parks and facilities	100,035	-	100,035
Transportation system reserve	216,947	-	216,947
Equipment reserve	337,470	-	337,470
Unassigned	1,911,114	-	1,911,114
	<u>\$ 4,613,958</u>	<u>\$ 152,857</u>	<u>\$ 4,766,815</u>
TOTAL FUND BALANCES	<u>\$ 4,613,958</u>	<u>\$ 152,857</u>	<u>\$ 4,766,815</u>

**NOTE K: CONTRACTUAL COMMITMENTS**

The Township has entered into a contract related to sanitary sewer rehabilitation that was not completed as of December 31, 2012. The total contractual commitments outstanding at December 31, 2012, totaled \$156,605. The Township's net position, along with future anticipated revenues are expected to be sufficient to cover the commitment.

**NOTE L: COMPONENTS OF NET POSITION**

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 the 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 of Net Position reports the following components: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Currently, the Township does not report any deferred outflows of resources or deferred inflows of resources.

DeWitt Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**NOTE M: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement will be effective for the Township's year ending December 31, 2013. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement 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. The statement also enhances accountability and transparency through revised note disclosures and required supplemental 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 Township's year ending December 31, 2015.

## **REQUIRED SUPPLEMENTARY INFORMATION**

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - (NON-GAAP BASIS)

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,723,814	\$ 1,723,814	\$ 1,726,096	\$ 2,282
Police	433,575	433,575	434,391	816
Fire	433,575	433,575	434,391	816
Other	323,334	323,334	328,156	4,822
Delinquent property taxes	2,000	2,000	1,412	(588)
Tax collection fees	183,868	183,868	197,613	13,745
Trailer taxes	5,600	5,600	4,868	(732)
Total taxes	3,105,766	3,105,766	3,126,927	21,161
Licenses and permits				
Building and zoning permits	55,000	55,000	77,017	22,017
Intergovernmental				
State shared revenue	955,000	955,000	1,037,216	82,216
State grants	-	-	239,965	239,965
State liquor licenses	7,350	7,350	7,979	629
Total intergovernmental	962,350	962,350	1,285,160	322,810
Charges for services				
Administration charges	183,404	183,404	173,738	(9,666)
Franchise fees	266,100	266,100	296,524	30,424
Court fees	42,000	42,000	43,681	1,681
Inspection fees	45,900	45,900	83,183	37,283
Building registration fees	1,950	1,950	1,755	(195)
Park fees and programs	40,950	40,950	42,013	1,063
Cemetery lots and grave openings	17,000	17,000	18,632	1,632
Fire runs and protection	6,750	6,750	6,263	(487)
Police fees - OUIL recovery	3,500	3,500	4,295	795
Alarm ordinance revenue	150	150	630	480
Total charges for services	607,704	607,704	670,714	63,010
Interest and rents				
Interest - regular	56,000	56,000	17,091	(38,909)
Interest - tax collections	3,600	3,600	4,764	1,164
Rental fees	42,760	42,760	43,180	420
Total interest and rents	102,360	102,360	65,035	(37,325)

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Other				
Reimbursements	\$ 130,000	\$ 130,000	\$ 212,686	\$ 82,686
Other sales	4,000	4,000	12,502	8,502
Total other	134,000	134,000	225,188	91,188
<b>TOTAL REVENUES</b>	<b>4,967,180</b>	<b>4,967,180</b>	<b>5,450,041</b>	<b>482,861</b>
<b>EXPENDITURES</b>				
Current				
General government				
Township board	36,501	37,301	33,597	3,704
Supervisor	24,624	24,624	24,349	275
Township manager	210,789	210,789	206,924	3,865
Elections	47,972	47,972	46,252	1,720
Assessor	182,367	182,367	179,135	3,232
Clerk	145,133	145,133	142,143	2,990
Board of review	1,327	1,327	787	540
Treasurer	161,979	161,979	155,288	6,691
Building and grounds	382,996	384,796	352,344	32,452
Community center	35,060	34,400	28,328	6,072
Township hall	305,669	305,669	294,077	11,592
Other	73,739	84,239	66,582	17,657
Total general government	1,608,156	1,620,596	1,529,806	90,790
Public safety				
Police department	1,672,002	1,672,002	1,606,033	65,969
Fire department	459,273	459,273	416,751	42,522
Total public safety	2,131,275	2,131,275	2,022,784	108,491
Public works				
Drains	31,650	32,906	29,435	3,471
Highways and streets	275,000	275,000	251,577	23,423
Total public works	306,650	307,906	281,012	26,894
Community and economic development				
Building and zoning	139,397	167,247	151,777	15,470
Planning department	226,414	229,214	154,645	74,569
Total community and economic development	365,811	396,461	306,422	90,039

DeWitt Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Current				
Recreation and culture				
Parks and recreation	\$ 124,250	\$ 124,250	\$ 136,546	\$ (12,296)
Debt service	118,726	118,726	64,381	54,345
Capital outlay	192,250	582,927	490,160	92,767
TOTAL EXPENDITURES	<u>4,847,118</u>	<u>5,282,141</u>	<u>4,831,111</u>	<u>451,030</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	120,062	(314,961)	618,930	933,891
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	2,000	2,000	6,052	4,052
Transfers out	<u>(203,185)</u>	<u>(203,185)</u>	<u>(203,185)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(201,185)</u>	<u>(201,185)</u>	<u>(197,133)</u>	<u>4,052</u>
Net change in fund balance (Budgetary basis)	<u>\$ (81,123)</u>	<u>\$ (516,146)</u>	421,797	<u>\$ 937,943</u>
Budgetary perspective difference			<u>34,197</u>	
Net change in fund balance (GAAP basis)			<u>\$ 455,994</u>	

DeWitt Charter Township

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2012

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the budgetary comparison schedule shown as required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2012, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amount Appropriated</u>	<u>Amount Expended</u>	<u>Variance</u>
General Fund			
Recreation and culture	\$ 124,250	\$ 136,546	\$ 12,296

**NOTE B: BUDGETARY/GAAP RECONCILIATION**

DeWitt Charter Township budgets the activities of various funds separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, these funds are combined with the General Fund as required by GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 421,797
To adjust for revenues generated related to various activities accounted for in separate funds	98
To remove the transfer out from the budgetary basis schedule	<u>34,099</u>
Net change in fund balance (GAAP basis)	<u><u>\$ 455,994</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

DeWitt Charter Township  
 General Fund  
 COMBINING BALANCE SHEET  
 December 31, 2012

	Operating	Parks and Facilities	Transportation System Reserve
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,304,939	\$ 100,035	\$ 216,947
Investments	796,974	-	-
Receivables			
Accounts	197,696	-	-
Taxes	1,141,140	-	-
Due from other governmental units	432,937	-	-
Prepays	20,112	-	-
 TOTAL ASSETS	 \$ 6,893,798	 \$ 100,035	 \$ 216,947
 <b>LIABILITIES</b>			
Payables			
Accounts	\$ 113,044	\$ -	\$ -
Accrued wages	57,122	-	-
Advance from other funds	169,435	-	-
Deferred revenue	2,758,166	-	-
 TOTAL LIABILITIES	 3,097,767	 -0-	 -0-
 <b>FUND BALANCES</b>			
Nonspendable	20,112	-	-
Committed	1,864,805	-	-
Assigned	-	100,035	216,947
Unassigned	1,911,114	-	-
 TOTAL FUND BALANCES	 3,796,031	 100,035	 216,947
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 6,893,798	 \$ 100,035	 \$ 216,947

<u>Equipment Reserve</u>	<u>Budget Stabilization</u>	<u>Total</u>
\$ 337,470	\$ 163,475	\$ 5,122,866
-	-	796,974
-	-	197,696
-	-	1,141,140
-	-	432,937
-	-	20,112
<u>\$ 337,470</u>	<u>\$ 163,475</u>	<u>\$ 7,711,725</u>
\$ -	\$ -	\$ 113,044
-	-	57,122
-	-	169,435
-	-	2,758,166
-0-	-0-	3,097,767
-	-	20,112
-	163,475	2,028,280
337,470	-	654,452
-	-	1,911,114
<u>337,470</u>	<u>163,475</u>	<u>4,613,958</u>
<u>\$ 337,470</u>	<u>\$ 163,475</u>	<u>\$ 7,711,725</u>

DeWitt Charter Township

General Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Operating	Parks and Facilities	Transportation System Reserve
<b>REVENUES</b>			
Taxes	\$ 3,126,927	\$ -	\$ -
Licenses and permits	77,017	-	-
Intergovernmental	1,285,160	-	-
Charges for services	670,714	-	-
Interest and rents	65,035	13	23
Other	225,188	-	-
<b>TOTAL REVENUES</b>	<b>5,450,041</b>	<b>13</b>	<b>23</b>
<b>EXPENDITURES</b>			
Current			
General government	1,529,806	-	-
Public safety	2,022,784	-	-
Public works	281,012	-	-
Community and economic development	306,422	-	-
Recreation and culture	136,546	-	-
Debt service	64,381	-	-
Capital outlay	490,160	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,831,111</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>618,930</b>	<b>13</b>	<b>23</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	6,052	-	-
Transfers in	-	-	34,099
Transfers out	(203,185)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(197,133)</b>	<b>-0-</b>	<b>34,099</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>421,797</b>	<b>13</b>	<b>34,122</b>
Fund balances, beginning of year	3,374,234	100,022	182,825
Fund balances, end of year	<u>\$ 3,796,031</u>	<u>\$ 100,035</u>	<u>\$ 216,947</u>

<u>Equipment Reserve</u>	<u>Budget Stabilization</u>	<u>Total Before Eliminations</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ 3,126,927	\$ -	\$ 3,126,927
-	-	77,017	-	77,017
-	-	1,285,160	-	1,285,160
-	-	670,714	-	670,714
42	20	65,133	-	65,133
-	-	225,188	-	225,188
42	20	5,450,139	-0-	5,450,139
-	-	1,529,806	-	1,529,806
-	-	2,022,784	-	2,022,784
-	-	281,012	-	281,012
-	-	306,422	-	306,422
-	-	136,546	-	136,546
-	-	64,381	-	64,381
-	-	490,160	-	490,160
-0-	-0-	4,831,111	-0-	4,831,111
42	20	619,028	-0-	619,028
-	-	6,052	-	6,052
-	-	34,099	(34,099)	-0-
-	-	(203,185)	34,099	(169,086)
-0-	-0-	(163,034)	-0-	(163,034)
42	20	455,994	-0-	455,994
337,428	163,455	4,157,964	-	4,157,964
<u>\$ 337,470</u>	<u>\$ 163,475</u>	<u>\$ 4,613,958</u>	<u>\$ -0-</u>	<u>\$ 4,613,958</u>

DeWitt Charter Township

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended December 31, 2012

REVENUES

Licenses and permits	
Building and zoning permits	\$ 77,017
Charges for services	
Inspection fees	83,183
Building registration fees	<u>1,755</u>
Total construction code revenues	161,955

EXPENDITURES

Community and economic development	
Building and zoning	151,777
Planning department	<u>154,645</u>
Total construction code expenditures	<u>306,422</u>
Current year excess of revenues (under) expenditures	(144,467)
Prior years' excess of revenues (under) expenditures	<u>(1,962,093)</u>
Cumulative excess of revenues (under) expenditures	<u><u>\$ (2,106,560)</u></u>

DeWitt Charter Township  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 December 31, 2012

	Special		
	Police Training	Better Buildings	Street Lighting
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,904	\$ -	\$ 77,056
Due from other governmental units	-	-	-
Special assessments receivable	-	-	70,335
<b>TOTAL ASSETS</b>	<b>\$ 5,904</b>	<b>\$ -0-</b>	<b>\$ 147,391</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ 15,535
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>15,535</b>
<b>FUND BALANCES</b>			
Restricted	5,904	-	131,856
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,904</b>	<b>\$ -0-</b>	<b>\$ 147,391</b>

Revenue		Debt Service		Total
Drug Forfeiture	Remy Chandler	1998 G.O. Bonds	Water System Bonds	
\$ 4,297	\$ 10,236	\$ 1,377	\$ 4,850	\$ 103,720
-	-	-	120,540	120,540
-	4,504	-	-	74,839
<u>\$ 4,297</u>	<u>\$ 14,740</u>	<u>\$ 1,377</u>	<u>\$ 125,390</u>	<u>\$ 299,099</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,535
-	10,167	-	120,540	130,707
-0-	10,167	-0-	120,540	146,242
<u>4,297</u>	<u>4,573</u>	<u>1,377</u>	<u>4,850</u>	<u>152,857</u>
<u>\$ 4,297</u>	<u>\$ 14,740</u>	<u>\$ 1,377</u>	<u>\$ 125,390</u>	<u>\$ 299,099</u>

DeWitt Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Special		
	Police Training	Better Buildings	Street Lighting
<b>REVENUES</b>			
Intergovernmental	\$ 2,449	\$ 124,321	\$ -
Fines and forfeits	-	-	-
Interest	1	-	6
Other			
Special assessments	-	-	182,586
<b>TOTAL REVENUES</b>	<b>2,450</b>	<b>124,321</b>	<b>182,592</b>
<b>EXPENDITURES</b>			
Current			
Public safety	2,485	-	-
Public works	-	-	186,976
Community and economic development	-	124,321	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,485</b>	<b>124,321</b>	<b>186,976</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(35)</b>	<b>-0-</b>	<b>(4,384)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(35)</b>	<b>-0-</b>	<b>(4,384)</b>
Fund balances, beginning of year	5,939	-	136,240
Fund balances, end of year	<u>\$ 5,904</u>	<u>\$ -0-</u>	<u>\$ 131,856</u>

Revenue		Debt Service		Total
Drug Forfeiture	Remy Chandler	1998 G.O. Bonds	Water System Bonds	
\$ -	\$ -	\$ -	\$ 42,888	\$ 169,658
2,240	-	-	-	2,240
1	1	-	-	9
-	11,729	-	-	194,315
2,241	11,730	-0-	42,888	366,222
1,736	-	-	-	4,221
-	17,171	-	-	204,147
-	-	-	-	124,321
-	-	162,291	43,188	205,479
1,736	17,171	162,291	43,188	538,168
505	(5,441)	(162,291)	(300)	(171,946)
-	6,795	162,291	-	169,086
505	1,354	-0-	(300)	(2,860)
3,792	3,219	1,377	5,150	155,717
<u>\$ 4,297</u>	<u>\$ 4,573</u>	<u>\$ 1,377</u>	<u>\$ 4,850</u>	<u>\$ 152,857</u>

Principals

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Members of the Township Board and Management  
DeWitt Charter Township  
DeWitt, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of DeWitt Charter Township (the Township) as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Township's internal control to be a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust the Township's information to the accrual basis of accounting and related to accounts receivable, interfund balances, capital assets, deferred revenue, grant activity, and beginning equity.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Township consider taking steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DeWitt Charter 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.

This report is intended solely for the information and use of the management and the members of the Township Board of DeWitt Charter Township, others within the Township, and the applicable Departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 15, 2013