

**Eaton Rapids Township  
Eaton County, Michigan  
Financial Report  
With Supplemental Information  
March 31, 2012**

Eaton Rapids Township

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## **INDEPENDENT AUDITOR'S REPORT**

Township Board  
Eaton Rapids Township  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eaton Rapids Township's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of March 31, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information on pages 2 through page 7 and page 22 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 inquires 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eaton Rapids Township's basic financial statements. The accompanying pages of other supplemental information, as identified in the table of contents are the responsibility of management and were derived from and relate 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 auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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

Robertson & Carpenter P.C.  
Certified Public Accountants  
June 30, 2012

## Management's Discussion and Analysis

As management of Eaton Rapids Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2012.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,295,791 (*net assets*). Of this amount, \$909,558 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$87,532
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$925,252, an increase of \$90,232 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$555,077 or 129% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

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

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

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, community/economic development and other. The Township does not have any business-type activities as of and for the year ended March 31, 2012.

The Government-wide financial statements can be found on pages 8-9 of this report.

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

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

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

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

The basic fiduciary fund financial statements can be found on pages 12-13 of this report.

**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 14-21 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Township, assets exceeded its liabilities by \$1,295,791 at the close of the most recent fiscal year.

A portion of the Township’s net assets (30%) reflects its investment in capital assets (e.g., land, land improvements, buildings, furniture & fixtures, equipment and vehicles); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

	<b>Township's Net Assets</b>	
<b>Governmental Activities</b>	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Assets:		
Current and Other Assets	\$ 932,332	\$ 842,528
Capital Assets, Net	386,233	389,379
Total Assets	<u>1,318,565</u>	<u>1,231,907</u>
Liabilities:		
Current Liabilities	22,774	23,648
Long Term Liabilities	-	-
Total Liabilities	<u>22,774</u>	<u>23,648</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	386,233	389,379
Unrestricted	<u>909,558</u>	<u>818,880</u>
<b>Total Net Assets</b>	<b>\$ <u>1,295,791</u></b>	<b>\$ <u>1,208,259</u></b>

The Township's net assets increased by \$87,532 during the current fiscal year. Unrestricted net assets-the part of net assets that can be used to finance day to day operations, increased by \$90,678 or 11%, during fiscal year ended March 31, 2012.

### Township's Changes in Net Assets

#### Governmental Activities

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<b>Revenue:</b>		
Program Revenue:		
Charges for Services	\$ 76,272	\$ 89,502
Operating Grants and Contributions	-	-
General Revenue:		
Property Taxes	108,086	107,330
State-Shared Revenues	312,520	255,881
Rent and Interest Earnings	5,708	6,729
Other	17,884	7,382
<b>Total Revenue</b>	<b><u>520,470</u></b>	<b><u>466,824</u></b>
<b>Expenses:</b>		
General Government	199,450	189,491
Public Safety	137,852	161,734
Public Works	71,594	60,334
Health and Welfare	4,139	4,139
Community/Economic Development	2,655	2,790
Other	17,248	18,938
<b>Total Expenses</b>	<b><u>432,938</u></b>	<b><u>437,426</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b>87,532</b>	<b>29,398</b>
Net Assets, Beginning of Year	<u>1,208,259</u>	<u>1,178,861</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 1,295,791</u></b>	<b><u>\$ 1,208,259</u></b>

**Governmental activities.** The Township's total governmental revenues increased by \$53,646 from last fiscal year. This was primarily attributed to increases in State Shared revenue and Other revenue. Expenses decreased by \$4,488. The decrease was primarily due to decreased Public Safety expenses and an increase in General Government and Public Works expenses.

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

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

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$902,478, an increase of \$90,232 in comparison with the prior year. The *unassigned fund balance*, which is available for spending at the Township's discretion, constitutes 61.5% of this total amount or \$555,077.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 129% and total fund balance represents 210% of total general fund expenditures.

The fund balance of the General Fund increased by \$90,232 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted fund is the General Fund. The General Fund budget was amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2012, amounted to \$386,233 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$26,548 for the fiscal year ended March 31, 2012.

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

	<b>March 31, 2012</b>	<b>March 31, 2011</b>
Land	\$ 13,000	\$ 13,000
Land Improvements	2,282	2,908
Land Improvements - Fire Department	6,217	4,608
Buildings	11,550	11,990
Buildings - Fire Department	111,055	92,823
Furniture & Fixtures	4,601	6,207
Furniture & Fixtures - Fire Department	2,122	2,708
Equipment - Fire Department	33,765	40,553
Vehicles - Fire Department	201,641	214,582
<b>Total</b>	<b>\$ 386,233</b>	<b>\$ 389,379</b>

Additional information on the Township's capital assets can be found in note 5 on page 19 of this report.

**Long Term Debt.** The Township did not have any long term debt at March 31, 2012.

### **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2012-2013 fiscal year:

- When compared with the actual 2011-12 operating results, the Township has projected a 7% decrease in revenue, or approximately \$36,000 and an increase of 95% in expenditures, or approximately \$408,000 which includes the purchase of a new fire truck for approximately \$347,000. Expenditures are anticipated to exceed revenues resulting in a decrease in fund balance of \$354,404. Our budget was prepared with current economic factors in mind and will need to be revised as needed.

### **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Eaton Rapids Township  
2512 S. Canal Road  
Eaton Rapids, Michigan 48827

## **Basic Financial Statements**

Eaton Rapids Township  
Statement of Net Assets  
March 31, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 541,765
Investments - Certificates of deposit (Note 3)	295,935
Receivables: (Note 4)	
Other	8,182
Property taxes	-
Intergovernmental	55,204
Due from Fiduciary fund	24,166
Prepaid insurance	7,080
Capital assets-net (Note 5)	<u>386,233</u>
 Total assets	 <u>1,318,565</u>
 <b>Liabilities</b>	
Current Liabilities:	
Accounts payable	<u>22,774</u>
Total current liabilities	<u>22,774</u>
 Total liabilities	 <u>22,774</u>
 <b>Net Assets</b>	
Invested in capital assets	386,233
Unrestricted	<u>909,558</u>
 Total net assets	 \$ <u><u>1,295,791</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Statement of Activities  
Year ended March 31, 2012

	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs</b>		Charges for Services	Operating Grants	
Governmental Activities				
General government	\$ 199,450	\$ 71,272	\$ -	\$ (128,178)
Public safety	137,852	5,000	-	(132,852)
Public works	71,594	-	-	(71,594)
Health and welfare	4,139	-	-	(4,139)
Comm./Econ. Develop.	2,655	-	-	(2,655)
Other	17,248	-	-	(17,248)
	<u>\$ 432,938</u>	<u>\$ 76,272</u>	<u>\$ -</u>	<u>(356,666)</u>
<b>General Revenues:</b>				
Property taxes - operating				108,086
State-shared revenues				312,520
Interest and investment earnings				5,708
Other				17,884
				<u>444,198</u>
<b>Change in Net Assets</b>				87,532
<b>Net assets - beginning of year</b>				<u>1,208,259</u>
<b>Net assets - end of year</b>				<u>\$ 1,295,791</u>
 <b>Amounts reported for governmental activities are different because:</b>				
<b>Net Change in Fund Balances - Total Governmental Funds</b>				\$ 90,232
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.				
Depreciation expense		\$ (29,694)		
Capital outlay		26,548		(3,146)
		<u>\$ (3,146)</u>		
Prepaid items reduce expenses reported in the statement of activities as expenditures in the governmental funds because they require the use of current financial resources				
				446
<b>Change in Net Assets of Governmental Activities</b>				<u>\$ 87,532</u>

See accompanying notes to financial statements.

Eaton Rapids Township  
 Governmental Funds  
 Balance Sheet  
 March 31, 2012

	<u>General Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 541,765
Investments - Certificates of deposit	295,935
Accounts receivable	8,182
Property taxes	-
Due from other governmental units	55,204
Due from other funds	<u>24,166</u>
Total assets	<u><u>\$ 925,252</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 22,774
Due to other funds	-
Deferred revenue	-
Total liabilities	<u>22,774</u>
<b>Fund balances</b>	
Nonspendable - Cemetery	1,000
Committed - Fire Truck purchase	346,401
Unassigned - General Fund	<u>555,077</u>
Total fund balances	<u>902,478</u>
Total liabilities and fund balances	<u><u>\$ 925,252</u></u>

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

<b>Fund Balances - Total Governmental Funds</b>	\$ 902,478
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	978,762
Accumulated depreciation is	(592,529)
Prepaid items are not available to pay current period expenditures and, therefore, not reported in governmental funds	7,080
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 1,295,791</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Year ended March 31, 2012

	<u>General Funds</u>
<b>Revenues</b>	
Taxes and penalties	\$ 143,398
Licenses and permits	16,687
State grants	312,520
Charges for services	24,273
Interest and rentals	5,708
Other revenue	<u>17,884</u>
Total revenues	<u>520,470</u>
<b>Expenditures</b>	
Current:	
General government	197,224
Public safety	110,830
Public works	71,594
Health and welfare	4,139
Community/Economic development	2,655
Other	17,248
Capital outlay	<u>26,548</u>
Total expenditures	<u>430,238</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	90,232
<b>Fund balance - April 1, 2011</b>	<u>812,246</u>
<b>Fund balance - March 31, 2012</b>	<u><u>\$ 902,478</u></u>

See accompanying notes to financial statements.

Eaton Rapids Township  
 Fiduciary Funds  
 Statement of Net Assets  
 March 31, 2012

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$ -	\$ 24,166
Receivables - employer	16,398	-
Investments - at fair value	274,291	-
Due from other funds	-	-
Total assets	\$ 290,689	\$ 24,166
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to other funds	-	24,166
Due to other governments	-	-
Total liabilities	-	\$ 24,166
 <b>Net Assets - Held in Trust for Pension Benefits</b>	 \$ 290,689	

See accompanying notes to financial statements.

Eaton Rapids Township  
 Fiduciary Fund  
 Statement of Changes in Net Assets  
 Year ended March 31, 2012

	<u>Trust Fund- Pension Fund</u>
<b>Additions</b>	
Contributions	
Employer	\$ 16,398
Investment earnings (losses)	<u>9,126</u>
Total Additions	25,524
<b>Deductions</b>	
Benefits	<u>11,798</u>
Total deductions	<u>11,798</u>
<b>Net increase</b>	13,726
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	<u>276,963</u>
End of the year	<u>\$ 290,689</u>

See accompanying notes to financial statements.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 1 - Summary of Significant Accounting Policies**

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

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from 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. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

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

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

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

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2011 taxable value of the Township was \$129,009,332. The 2011 tax levy was .8358 mills for general operating purposes raising \$107,826 for general operating purposes.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

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

Infrastructure	20 years
Land Improvements	15 years
Buildings and additions	20-40 years
Furniture and fixtures	5-20 years
Equipment	4-10 years
Vehicles	10 years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement 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 restricted resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. The Township implemented Statement No. 54 for the year ended March 31, 2012.

Governmental funds report *nonspendable fund balances* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact.

*Restricted fund balances* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can be used for specific purposes pursuant to constraints imposed

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 1 - Summary of Significant Accounting Policies (Continued)**

by formal action of the government's highest level of decision making authority, the Township Board. A formal resolution of the Township Board is required to establish, modify or rescind a fund balance commitment. The Township reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, then committed fund balance, and finally unassigned fund balance.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. The budget was amended during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township did not incur any expenditures in excess of amounts budgeted.

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General: Legislative	\$ 52,221	\$ 52,851	\$ 630
Treasurer	31,050	31,149	99

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated eleven banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 3 - Deposits and Investments (Continued)**

Eaton Rapids Township's deposits and investment policy are in accordance with statutory authority.

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

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 541,765	\$ 24,166	\$ 565,931
Investments - Certificates of deposit	295,935	-	295,935
Investments - Pension	-	274,291	274,291
Total	\$ 837,700	\$ 298,457	\$ 1,136,157

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 861,516
Investments	274,291
	\$ 1,135,807

Cash and cash equivalents on the financial statements includes \$350 of petty cash.

The deposits of the Township were reflected in the accounts of eight financial institutions, of which \$714,549 is covered by federal depository insurance.

The only investments are in the Pension Fund. These investments do not allow risk categorization.

**Note 4 - Receivables**

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

	General Fund	Fiduciary Pension Fund	Fiduciary Tax Coll. Fund	Total
Receivables:				
Other	\$ 8,182	\$ 16,398	\$ -	\$ 24,580
Property taxes	-	-	-	-
Intergovernmental	55,204	-	-	55,204
	\$ 63,386	\$ 16,398	\$ -	\$ 79,784

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 4 - Receivables (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be 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 Township had \$-0- deferred revenue at March 31, 2012.

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	<u>Balance</u> <u>April 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>March 31, 2012</u>
Capital assets not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Capital assets being depreciated:				
Land improvements	10,715	-	-	10,715
Land improvements - Fire Department	19,505	2,510	-	22,015
Buildings	17,609	-	-	17,609
Buildings - Fire Department	222,344	24,038	-	246,382
Furniture & fixtures	44,647	-	-	44,647
Furniture & fixtures - Fire Department	12,694	-	-	12,694
Equipment - Fire Department	151,454	-	-	151,454
Vehicles - Fire Department	460,246	-	-	460,246
Subtotal	<u>939,214</u>	<u>26,548</u>	<u>-</u>	<u>965,762</u>
Accumulated Depreciation				
Land improvements	7,807	626	-	8,433
Land improvements - Fire Department	14,897	901	-	15,798
Buildings	5,619	440	-	6,059
Buildings - Fire Department	129,521	5,806	-	135,327
Furniture & fixtures	38,440	1,606	-	40,046
Furniture & fixtures - Fire Department	9,986	586	-	10,572
Equipment - Fire Department	110,901	6,788	-	117,689
Vehicles - Fire Department	245,664	12,941	-	258,605
Subtotal	<u>562,835</u>	<u>29,694</u>	<u>-</u>	<u>592,529</u>
Net capital assets being depreciated	<u>376,379</u>	<u>(3,146)</u>	<u>-</u>	<u>373,233</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 389,379</u>	<u>\$ (3,146)</u>	<u>\$ -</u>	<u>\$ 386,233</u>

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 5 - Capital Assets (Continued)**

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

Governmental activities:	
General government	\$ 2,672
Public safety	<u>27,022</u>
Total governmental activities	<u><u>\$ 29,694</u></u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 24,166	General Fund	\$ -
Fiduciary Funds	-	Fiduciary Funds	24,166
Total	<u>\$ 24,166</u>	Total	<u>\$ 24,166</u>
<u>Transfers In</u>		<u>Transfers Out</u>	
None	<u>\$ -</u>	None	<u>\$ -</u>

**Note 7 - Risk Management**

Eaton Rapids Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Eaton Rapids Township has a defined contribution pension plan covering substantially all employees who choose to belong to the plan. This benefit is an insurance-type plan administered by Benefit Plan Services, Inc., under provisions of Section 401(a) of the Internal Revenue Code. As of March 31, 2012 the plan's current membership was 13.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan has no annual contribution requirement. Plan contributions will be determined annually by the Township Board and all contributions have immediate vesting.

The Township's total payroll for the year ended March 31, 2012 was approximately \$145,467. The payroll of the eligible participants was \$81,940; the Township made the required contribution of \$16,388.

Eaton Rapids Township  
Notes to Financial Statements  
March 31, 2012

**Note 8 - Pension Plan (Continued)**

No pension provision changes occurred during the year that affected the required contributions to be made by the Township .

The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

## **Required Supplemental Information**

Eaton Rapids Township  
 Budgetary Comparison Schedule - General Fund  
 Year ended March 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	3/31/12	3/31/12		
	Original	Final		
<b>Revenues</b>				
Taxes and fees	\$ 149,642	\$ 149,752	\$ 143,398	\$ (6,354)
Licenses and permits	11,250	11,250	16,687	5,437
State grants	248,030	276,438	312,520	36,082
Charges for services	15,500	18,750	24,273	5,523
Interest and rentals	5,520	5,020	5,708	688
Other	4,250	27,785	17,884	(9,901)
Total Revenues	<u>434,192</u>	<u>488,995</u>	<u>520,470</u>	<u>31,475</u>
<b>Expenditures</b>				
General government	201,390	207,298	197,224	(10,074)
Public safety	150,770	129,233	110,830	(18,403)
Public works	71,500	72,625	71,594	(1,031)
Health and Welfare	4,139	4,139	4,139	-
Community/Economic Development	3,850	4,450	2,655	(1,795)
Other	22,000	22,000	17,248	(4,752)
Capital outlay	10,000	28,826	26,548	(2,278)
Total Expenditures	<u>463,649</u>	<u>468,571</u>	<u>430,238</u>	<u>(38,333)</u>
<b>Excess of Revenues over (under) Expenditures</b>	(29,457)	20,424	90,232	69,808
<b>Fund Balance - Beginning of year</b>	<u>741,503</u>	<u>812,246</u>	<u>812,246</u>	<u>-</u>
<b>Fund Balance - end of year</b>	<u>\$ 712,046</u>	<u>\$ 832,670</u>	<u>\$ 902,478</u>	<u>\$ 69,808</u>

## **Supplemental Information**

Eaton Rapids Township  
 General Fund  
 Detail of Revenues - Budget and Actual  
 Year ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes			
Current tax	\$ -	\$ 108,022	\$ -
Penalties & interest	-	64	-
Property tax administration fee	-	35,312	-
Total Taxes	<u>149,752</u>	<u>143,398</u>	<u>(6,354)</u>
Licenses and permits			
Dog licenses	-	221	-
Cable TV and franchise fees	-	16,466	-
Total Licenses and permits	<u>11,250</u>	<u>16,687</u>	<u>5,437</u>
State grants			
State shared revenue	-	308,082	-
State Metro Act	-	4,438	-
Total State grants	<u>276,438</u>	<u>312,520</u>	<u>36,082</u>
Charges for services			
Land split fees	-	220	-
Summer tax collection	-	5,278	-
Fire runs	-	5,000	-
Cemetery lot sales	-	5,025	-
Cemetery internment fees	-	8,750	-
Total Charges for services	<u>18,750</u>	<u>24,273</u>	<u>5,523</u>
Interest and rentals	<u>5,020</u>	<u>5,708</u>	<u>688</u>
Other revenue			
Miscellaneous	-	154	-
Refunds	-	17,730	-
Total Other revenue	<u>27,785</u>	<u>17,884</u>	<u>(9,901)</u>
Total Revenues	<u>\$ 488,995</u>	<u>\$ 520,470</u>	<u>\$ 31,475</u>

Eaton Rapids Township  
 General Fund  
 Detail of Expenditures - Budget & Actual  
 Year ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>			
Current			
General Government			
Legislative			
Salaries	\$	\$ 2,640	\$
Classes and conferences		-	
Social security		7,523	
Office supplies		438	
Postage		3,184	
Insurance and bonds		18,754	
Travel		-	
Printing and publishing		1,899	
Office equipment repairs		150	
Office support agreements		2,588	
Miscellaneous		12,837	
Refunds		130	
Dues and subscriptions		2,708	
Total Legislative	<u>52,221</u>	<u>52,851</u>	<u>(630)</u>
Supervisor			
Salaries		12,500	
Classes and conferences		250	
Legal		1,025	
Travel		586	
Miscellaneous		-	
Total Supervisor	<u>15,231</u>	<u>14,361</u>	<u>870</u>
Clerk			
Salary - Clerk		20,500	
Wages - Deputy clerk		7,207	
Classes and conferences		-	
Contracted payroll services		1,200	
Audit		5,400	
Travel		131	
Miscellaneous		-	
Total Clerk	<u>35,450</u>	<u>34,438</u>	<u>1,012</u>
Board of Review			
Wages		1,920	
Classes and conferences		395	
Total Board of Review	<u>2,600</u>	<u>2,315</u>	<u>285</u>
Treasurer			
Salary - Treasurer		20,500	
Wages - Deputy Treasurer		8,299	
Classes and conferences		-	
Travel		85	
Tax/assessor notice printing		2,265	
Miscellaneous		-	
Total Treasurer	<u>31,050</u>	<u>31,149</u>	<u>(99)</u>

Eaton Rapids Township  
 General Fund  
 Detail of Expenditures - Budget & Actual  
 Year ended March 31, 2012

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
<b>Expenditures</b>			
Current			
General Government (continued)			
Assessor			
Contracted services	\$	\$ 21,000	\$
Land split fees		135	
Supplies		109	
Software support		740	
Total Assessor	<u>22,240</u>	<u>21,984</u>	<u>256</u>
Elections			
Wages		2,470	
Supplies		958	
Equipment maintenance agreement		206	
Programming charges		-	
Total Elections	<u>5,606</u>	<u>3,634</u>	<u>1,972</u>
Township Hall			
Supplies		109	
Utilities		4,388	
Maintenance		1,124	
Custodial wages		550	
Total Township Hall	<u>8,900</u>	<u>6,171</u>	<u>2,729</u>
Cemetery			
Contractual services		21,600	
Internment		5,850	
Utilities		221	
Maintenance		2,650	
Total Cemetery	<u>34,000</u>	<u>30,321</u>	<u>3,679</u>
Total General Government	<u>207,298</u>	<u>197,224</u>	<u>10,074</u>
Public Safety - Fire Department			
Salaries and wages		47,402	
Classes and conferences		7,162	
Social security		3,605	
Office supplies		1,030	
Custodial supplies		276	
MFR supplies		882	
Physicals		610	
Personal fire gear		7,668	
Fuel		3,288	
Travel		965	
Insurance		6,279	
Utilities		7,445	
Maintenance - building & grounds		3,997	
Maintenance - equipment		15,364	
Communications		2,334	
Miscellaneous		1,188	
Dues and subscriptions		1,335	
Total Fire Department	<u>129,233</u>	<u>110,830</u>	<u>18,403</u>

Eaton Rapids Township  
 General Fund  
 Detail of Expenditures - Budget & Actual  
 Year ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>			
Current			
Public Works			
Drains at large	\$ 18,000	\$ 16,869	\$ 1,131
Public improvement - roads	<u>54,625</u>	<u>54,725</u>	<u>(100)</u>
Total Public Works	<u>72,625</u>	<u>71,594</u>	<u>1,031</u>
Health and Welfare			
Ambulance	<u>4,139</u>	<u>4,139</u>	<u>-</u>
Community/Economic Development			
Planning Commission			
Wages		2,655	
Master plan		-	
Miscellaneous		-	
Total Comm./Econ. Development	<u>4,450</u>	<u>2,655</u>	<u>1,795</u>
Other			
Retirement	<u>22,000</u>	<u>17,248</u>	<u>4,752</u>
Capital Outlay			
General Government			
Township hall	2,510	2,510	-
Public Safety - Fire Department	<u>26,316</u>	<u>24,038</u>	<u>2,278</u>
Total Capital Outlay	<u>28,826</u>	<u>26,548</u>	<u>2,278</u>
Total Expenditures	<u>\$ 468,571</u>	<u>\$ 430,238</u>	<u>\$ 38,333</u>

Eaton Rapids Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
Year ended March 31, 2012

Current Tax Collection Fund				
	Balance April 1, 2011	Additions	Deductions	Balance March 31, 2012
<b>Assets</b>				
Cash	\$ <u>24,199</u>	\$ <u>3,463,055</u>	\$ <u>3,463,088</u>	\$ <u>24,166</u>
 <b>Liabilities</b>				
Due to other funds	\$ 24,199	\$ 135,683	\$ 135,716	\$ 24,166
Due to county	-	1,760,363	1,760,363	-
Due to schools	-	1,556,109	1,556,109	-
Refunds	-	10,900	10,900	-
Total liabilities	\$ <u>24,199</u>	\$ <u>3,463,055</u>	\$ <u>3,463,088</u>	\$ <u>24,166</u>



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Other office: Rose City, Michigan

Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

June 30, 2012

Township Board  
Eaton Rapids Township  
Eaton County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eaton Rapids Township as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Eaton Rapids Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Eaton Rapids Township's internal control to be a significant deficiency.

### **Lack of adequate controls to produce full-disclosure GAAP basis financial statements.**

*Requirement:* All Michigan governmental units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is

a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related footnotes.

*Condition:* The Township, as is common with smaller and medium-sized entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

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

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

*View of responsible officials:* The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The above significant deficiency is a repeat item from our letter dated June 2, 2011.

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

Robertson & Carpenter CPA's, P.C.  
Certified Public Accountants  
Mio, Michigan



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Robert J. Carpenter, CPA  
Rodney C. Robertson, CPA

June 30, 2012

To the Township Board  
Eaton Rapids Township  
Eaton Rapids, Michigan

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

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

As stated in our engagement letter dated May 9, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 25, 2012.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Eaton Rapids Township are described in Note 1 to the financial statements. Other than the adoption of GASB No. 54 as described in Note 1, no new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate of the accounts receivable is based on estimated amounts due to the township at year end. We evaluated the key factors and assumptions used to develop the accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 30, 2012.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

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

Very truly yours,

Robertson & Carpenter CPAs, PC  
Certified Public Accountants