

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

Hamlin Township
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INDEPENDENT AUDITOR'S REPORT

Township Board
Hamlin 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 Hamlin 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 Hamlin 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 Hamlin 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 pages 20-21 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 Hamlin 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 respects in relation to the basic financial statements taken as a whole.*

Robertson & Carpenter P.C.
Certified Public Accountants
July 10, 2012

Management's Discussion and Analysis

As management of Hamlin 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 \$1,592,606 (*net assets*). Of this amount, \$350,943 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$182,136.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$372,317, an increase of \$123,527 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$300,624 or 80% 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, and culture and recreation. 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 three governmental funds. 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, Fire, and Cemetery Funds.

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 page 12 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 13-19 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 \$1,592,606 at the close of the most recent fiscal year.

A portion of the Township’s net assets (68%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); 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.

Township's Net Assets

Governmental Activities

	March 31, 2012	March 31, 2011
Assets:		
Current and Other Assets	\$ 517,446	\$ 373,991
Capital Assets, Net	<u>1,082,890</u>	<u>1,044,539</u>
Total Assets	<u>1,600,336</u>	<u>1,418,530</u>
Liabilities:		
Current Liabilities	7,730	8,060
Long Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,730</u>	<u>8,060</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,082,890	1,044,539
Restricted for Metro Act	21,374	17,256
Restricted for Fire Protection	114,721	95,502
Restricted for Cemetery	22,678	21,639
Unrestricted	<u>350,943</u>	<u>231,534</u>
Total Net Assets	\$ <u>1,592,606</u>	\$ <u>1,410,470</u>

The Township's net assets increased by \$182,136 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 \$119,409 or 52%, during fiscal year 2012.

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Revenue:		
Program Revenue:		
Charges for Services	\$ 82,930	\$ 78,808
Operating Grants and Contributions	-	53,977
General Revenue:		
Property Taxes	181,594	179,300
State Shared Revenues	261,232	198,510
Rent and Interest Earnings	591	547
Other	6,370	1,759
Total Revenue	<u>532,717</u>	<u>512,901</u>
Expenses:		
General Government	166,401	157,872
Public Safety	155,645	200,807
Public Works	22,414	27,730
Health and Welfare	3,068	3,068
Culture and Recreation	3,053	2,799
Interest on Long Term Debt	-	253
Total Expenses	<u>350,581</u>	<u>392,529</u>
Increase in Net Assets	182,136	120,372
Net Assets, Beginning of Year	<u>1,410,470</u>	<u>1,290,098</u>
Net Assets, End of Year	<u>\$ 1,592,606</u>	<u>\$ 1,410,470</u>

Governmental activities. The Township's total governmental revenues increased by \$19,816 from last fiscal year. This was primarily attributed to increased State Shared Revenues. Expenses decreased by \$41,948. The decrease was primarily due to decreased Public Safety and Public Works expenses and increased General Government 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 \$509,716, an increase of \$143,785 in comparison with the prior year. The *unassigned fund balance*, which is available for spending at the Township's discretion, constitutes 59% of this total amount or \$300,624.

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 fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80% and total fund balance represents 124% of total general fund expenditures.

The fund balance of the General Fund increased by \$123,527 during the current fiscal year.

The Fire Fund was established during the year ended March 31, 2005. A .9700 mill property tax was levied for the year ending March 31, 2012. The property tax generated \$95,695 and \$94,347 of revenue for the years ended 2012 and 2011 respectively. The Fire Fund transferred \$76,641 to the General Fund for fire protection expense and \$123,117 to the General Fund for fire protection expense for the 2011 year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Fire and Cemetery Funds. The General and Cemetery Funds were 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 \$1,082,890 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$83,683 for the fiscal year.

Township's Capital Assets (net of depreciation)

	March 31, 2012	March 31, 2011
Land	\$ 144,361	\$ 144,361
Land Improvements	18,817	21,129
Buildings	314,393	260,446
Buildings - Park	4,059	4,228
Equipment - Fire Department	594,232	606,330
Furniture and Equipment	7,028	8,045
Total	\$ 1,082,890	\$ 1,044,539

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report.

Long Term Debt. The Township did not have any long term debt at March 31, 2012 or 2011.

Factors Bearing on the Township's Future

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

- The State of Michigan's has started to level out and we are seeing some increase in State Shared revenues. The township had a population increase of 13% by the census report of 2010, and that has also increased our State Shared revenues. Since the state also caught up the revenues from the previous year, we had a large increase for the year above our budget projections, which caused a large increase in our fund balance at the end of the March 31, 2012 fiscal year. For the 2011-2012 fiscal year, the township received \$257,114 in state shared revenue which represents 61% of the General Fund revenues. We expects the State Shared Revenue to be higher for the next decade. Property taxes should also be slightly higher in the future.
- As for expenses, the township needs to be planning for the future, as some of our infrastructure will require funds to solve some problems. We have 2 roads closed due to culvert failures, and the secondary roads will need resurfacing if we want to keep the ones seal coated in good shape. The township has budgeted enough to fix one of the culverts this year with the county paying ½ , and we have budgeted enough to resurface one mile of road, with the county also paying a portion of the cost. The township is planning on doing some projects that won't increase annual expenses significantly, but will have a long term impact on the township. These include graveling an overflow parking area, resurfacing the blacktop around the township hall and having a township website built.
- Our budgets were prepared with these factors in mind and will need to be revised as actual events occur that impact the budgets.

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:

Hamlin Township
6463 South Clinton Trail
Eaton Rapids, Michigan 48827

Basic Financial Statements

Hamlin Township
Statement of Net Assets
March 31, 2012

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 461,867
Receivables: (Note 4)	
Other	1,063
Intergovernmental	52,417
Due from Fiduciary Fund	2,099
Capital assets-net (Note 5)	<u>1,082,890</u>
 Total assets	 <u>1,600,336</u>
 Liabilities	
Current Liabilities:	
Accounts payable	6,682
Due to other governments	-
Deferred revenue	<u>1,048</u>
Total current liabilities	<u>7,730</u>
 Total liabilities	 <u>7,730</u>
 Net Assets	
Invested in capital assets	1,082,890
Restricted for Metro Act	21,374
Restricted for fire protection	114,721
Restricted for cemetery	22,678
Unrestricted	<u>350,943</u>
 Total net assets	 \$ <u><u>1,592,606</u></u>

See accompanying notes to financial statements.

Hamlin Township
Statement of Activities
Year Ended March 31, 2012

		Program Revenues			Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants		Net (Expense) Revenue and Changes in Net Assets
Governmental Activities					
General government	\$ 166,401	\$ 69,333	\$ -	\$	(97,068)
Public safety	155,645	13,597	-		(142,048)
Public works	22,414	-	-		(22,414)
Health and welfare	3,068	-	-		(3,068)
Culture and recreation	3,053	-	-		(3,053)
Other	-	-	-		-
Total governmental activities	\$ <u>350,581</u>	\$ <u>82,930</u>	\$ <u>-</u>		<u>(267,651)</u>
General Revenues:					
Property taxes - operating					85,899
Property taxes - fire					95,695
State-shared revenues					261,232
Interest and investment earnings					591
Other					6,370
					<u>449,787</u>
Total general revenues					<u>449,787</u>
Change in Net Assets					<u>182,136</u>
Net assets - beginning of year					<u>1,410,470</u>
Net assets - end of year					<u>\$ 1,592,606</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds		\$ 143,785
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	\$ (45,332)	
Capital outlay	<u>83,683</u>	
		<u>38,351</u>
Change in Net Assets of Governmental Activities		<u>\$ 182,136</u>

See accompanying notes to financial statements.

Hamlin Township
Governmental Funds
Balance Sheet
March 31, 2012

	General Fund	Fire Fund	Nonmajor Cemetery Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 330,336	\$ 108,853	\$ 22,678	\$ 461,867
Accounts receivable	576	487	-	1,063
Due from other funds	2,099	-	-	2,099
Due from other governmental units	46,549	5,868	-	52,417
Total assets	\$ 379,560	\$ 115,208	\$ 22,678	\$ 517,446
Liabilities				
Accounts payable	\$ 6,682	\$ -	\$ -	\$ 6,682
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	561	487	-	1,048
Total liabilities	7,243	487	-	7,730
Fund balances				
Restricted - Metro Act	21,374	-	-	21,374
Restricted - Fire protection	-	114,721	-	114,721
Restricted - Cemetery	-	-	22,678	22,678
Assigned - Fire equipment	50,319	-	-	50,319
Unassigned - General Fund	300,624	-	-	300,624
Total fund balances	372,317	114,721	22,678	509,716
Total liabilities and fund balances	\$ 379,560	\$ 115,208	\$ 22,678	\$ 517,446

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

Fund Balances - Total Governmental Funds	\$ 509,716
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	1,432,002
Accumulated depreciation is	(349,112)
Net Assets of Governmental Activities	\$ 1,592,606

See accompanying notes to financial statements.

Hamlin Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2012

	General Fund	Fire Fund	Nonmajor Cemetery Fund	Total Governmental Funds
Revenues				
Taxes and penalties	\$ 113,722	\$ 95,695	\$ -	\$ 209,417
Licenses and permits	1,453	-	-	1,453
State grants	261,232	-	-	261,232
Charges for services	40,057	-	13,597	53,654
Interest and rentals	329	145	117	591
Other revenue	6,350	20	-	6,370
Total revenues	<u>423,143</u>	<u>95,860</u>	<u>13,714</u>	<u>532,717</u>
Expenditures				
Current:				
General government	132,053	-	22,675	154,728
Public safety	122,155	-	-	122,155
Public works	22,414	-	-	22,414
Health and welfare	3,068	-	-	3,068
Culture and recreation	2,884	-	-	2,884
Capital outlay	83,683	-	-	83,683
Total expenditures	<u>366,257</u>	<u>-</u>	<u>22,675</u>	<u>388,932</u>
Excess of Revenues Over (Under) Expenditures	56,886	95,860	(8,961)	143,785
Other Financing Sources (Uses)				
Operating transfers in	76,641	-	10,000	86,641
Operating transfers (out)	(10,000)	(76,641)	-	(86,641)
Total other financing sources (uses)	<u>66,641</u>	<u>(76,641)</u>	<u>10,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	123,527	19,219	1,039	143,785
Fund balance - April 1, 2011	<u>248,790</u>	<u>95,502</u>	<u>21,639</u>	<u>365,931</u>
Fund balance - March 31, 2012	<u>\$ 372,317</u>	<u>\$ 114,721</u>	<u>\$ 22,678</u>	<u>\$ 509,716</u>

See accompanying notes to financial statements.

Hamlin Township
 Fiduciary Funds
 Statement of Net Assets
 March 31, 2012

		Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash	\$	2,099
Due from other funds		-
Total assets	\$	2,099
Liabilities		
Due to other funds	\$	2,099
Due to other governments		-
Due to individual taxpayers		-
Total liabilities		2,099
Net Assets	\$	-

See accompanying notes to financial statements.

Hamlin Township
Notes to Financial Statements
March 31, 2012

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Hamlin 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-side 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.

Hamlin Township
Notes to Financial Statements
March 31, 2012

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.

The Fire Fund is used to record property tax revenue, interest earnings and other revenue restricted for providing fire protection services.

Additionally, the Township reports the following funds:

The Cemetery Fund accounts for amounts received for lot sales, charges for services, and interest earnings that are restricted for use in the Township Cemetery.

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.

Hamlin 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 \$98,721,227. The 2011 tax levy was .8636 mills for general operating purposes raising \$85,255 for general operating purposes and .9700 mills for fire protection raising \$95,760 for fire protection 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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Office equipment and furnishings	5-20 years
Other equipment	5-20 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

Hamlin 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 and special revenue funds. 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 function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget 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 incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Public Safety	\$ 121,793	\$ 122,155	\$ 362

Hamlin Township
Notes to Financial Statements
March 31, 2012

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 one bank 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.

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

Hamlin Township has not updated its investment policy to conform to GASB #40.

At year-end, Hamlin 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	\$ 461,867	\$ 2,099	\$ 463,966
Investments	-	-	-
Total	\$ 461,867	\$ 2,099	\$ 463,966

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

Deposits (checking, savings and CDs)	\$ 463,966
Investments	-
	\$ 463,966

The deposits of the Township were reflected in the accounts of one financial institution, of which \$253,333 is covered by federal depository insurance.

Hamlin Township
Notes to Financial Statements
March 31, 2012

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:

Receivables:	General Fund	Fire Fund	Tax Coll. Fund	Total
Other	\$ 576	\$ 487	\$ -	\$ 1,063
Intergovernmental	46,549	5,868	-	52,417
	<u>\$ 47,125</u>	<u>\$ 6,355</u>	<u>\$ -</u>	<u>\$ 53,480</u>

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. At the end of the current fiscal year, the Township had deferred revenue at March 31, 2012 as follows: General Fund \$561 for property taxes; Fire Fund \$487 for property taxes.

Note 5 - Capital Assets

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

	Balance April 1, 2011	Additions	Deletions	Balance March 31, 2012
Capital assets not being depreciated:				
Land	\$ 144,361	\$ -	\$ -	\$ 144,361
Capital assets being depreciated:				
Land improvements	46,239	-	-	46,239
Buildings	356,876	62,291	-	419,167
Buildings - Park	4,821	-	-	4,821
Equipment - Fire Department	765,956	21,392	-	787,348
Furniture & equipment	30,066	-	-	30,066
Subtotal	<u>1,203,958</u>	<u>83,683</u>	<u>-</u>	<u>1,287,641</u>
Accumulated Depreciation				
Land improvements	25,110	2,312	-	27,422
Buildings	96,430	8,344	-	104,774
Buildings - Park	593	169	-	762
Equipment - Fire Department	159,626	33,490	-	193,116
Furniture & equipment	22,021	1,017	-	23,038
Subtotal	<u>303,780</u>	<u>45,332</u>	<u>-</u>	<u>349,112</u>
Net capital assets being depreciated	<u>900,178</u>	<u>38,351</u>	<u>-</u>	<u>938,529</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 1,044,539</u>	<u>\$ 38,351</u>	<u>\$ -</u>	<u>\$ 1,082,890</u>

Hamlin 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	\$ 11,673
Public safety	33,490
Culture and recreation	169
Total governmental activities	<u>\$ 45,332</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	\$ 2,099	Fiduciary Fund	\$ 2,099
Fire Fund	-		
Total	<u>\$ 2,099</u>	Total	<u>\$ 2,099</u>
 <u>Transfers In</u>		 <u>Transfers Out</u>	
Cemetery Fund	\$ 10,000	General Fund	\$ 10,000
General Fund	76,641	Fire Fund	76,641
	<u>\$ 86,641</u>		<u>\$ 86,641</u>

Note 7 - Risk Management

Hamlin 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

The Township has a defined contribution retirement plan (Simple IRA) that covers any employee that earns \$400 or more in a calendar year. Employees may voluntarily contribute up to \$8,000 of their annual wage. The Township will match the employees contribution up to 3% of the employee's compensation. The plan is administered by Capital Bank and Trust Co.. All contributions to the plan are 100% vested.

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 Township's total payroll for the year ended March 31, 2011 was approximately \$133,929. The Township made the required contribution of \$1,779.

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

Hamlin Township
 Budgetary Comparison Schedule - General Fund
 Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>2011 Original</u>	<u>2011 Final</u>		
Revenues				
Taxes and fees	\$ 105,650	\$ 106,916	\$ 113,722	\$ 6,806
Licenses and permits	-	1,453	1,453	-
State grants	186,400	253,077	261,232	8,155
Charges for services	29,800	39,695	40,057	362
Interest and rentals	300	300	329	29
Other	-	5,965	6,350	385
Transfers from other funds	-	76,641	76,641	-
Total revenues	<u>322,150</u>	<u>484,047</u>	<u>499,784</u>	<u>15,737</u>
Expenses				
General government	144,445	144,445	132,053	(12,392)
Public safety	116,850	121,793	122,155	362
Public works	39,000	39,000	22,414	(16,586)
Health and welfare	3,068	3,068	3,068	-
Culture and recreation	3,000	3,000	2,884	(116)
Capital outlay	-	83,685	83,683	(2)
Transfers to other funds	14,000	14,000	10,000	(4,000)
Total expenses	<u>320,363</u>	<u>408,991</u>	<u>376,257</u>	<u>(32,734)</u>
Excess of Revenues over (under) expenses	1,787	75,056	123,527	48,471
Fund Balance - Beginning of year	<u>167,250</u>	<u>167,250</u>	<u>248,790</u>	<u>81,540</u>
Fund Balance - end of year	<u>\$ 169,037</u>	<u>\$ 242,306</u>	<u>\$ 372,317</u>	<u>\$ 130,011</u>

Hamlin Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>2011 Original</u>	<u>2011 Final</u>		
Revenues				
Taxes and fees	\$ 87,600	\$ 89,800	\$ 95,695	\$ 5,895
Federal grants	-	-	-	-
State grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	60	60	145	85
Other	-	-	20	20
Total revenues	<u>87,660</u>	<u>89,860</u>	<u>95,860</u>	<u>6,000</u>
Expenses				
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Transfers to other funds	-	76,641	76,641	-
Total expenses	<u>-</u>	<u>76,641</u>	<u>76,641</u>	<u>-</u>
Excess of Revenues over (under) Expenses	87,660	13,219	19,219	6,000
Fund Balance - Beginning of year	<u>94,608</u>	<u>94,608</u>	<u>95,502</u>	<u>894</u>
Fund Balance - end of year	<u>\$ 182,268</u>	<u>\$ 107,827</u>	<u>\$ 114,721</u>	<u>\$ 6,894</u>

Supplemental Information

Hamlin Township
General Fund
Statement of Revenues and Other Financing Sources - Budget and Actual
Year Ended March 31, 2012

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
REVENUE:			
TAXES:			
Property taxes	\$ -	\$ 85,899	\$ -
Penalties and interest	-	-	-
Property tax administration	-	27,823	-
TOTAL TAXES	106,916	113,722	-
LICENSES AND PERMITS:			
Franchise fees	1,453	1,453	-
STATE GRANTS:			
State shared revenues	-	257,114	-
Metro Act	-	4,118	-
Fire Department grant	-	-	-
TOTAL STATE GRANTS	253,077	261,232	8,155
CHARGES FOR SERVICES:			
Fees	-	179	-
Dog License fees	-	411	-
Dust control	-	11,907	-
Summer tax collection	-	4,573	-
Fire runs	-	22,987	-
TOTAL CHARGES FOR SERVICES	39,695	40,057	362
INTEREST AND RENTALS:			
Interest	300	329	29
OTHER REVENUE:			
Reimbursements	-	6,350	-
Sale of assets	-	-	-
TOTAL OTHER REVENUE	5,965	6,350	385
TOTAL REVENUES	407,406	423,143	15,737
OTHER FINANCING SOURCES:			
Transfers from other funds	76,641	76,641	-
TOTAL OTHER FINANCING SOURCES	76,641	76,641	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 484,047	\$ 499,784	\$ 15,737

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
Legislative			
Trustee wages	\$ -	\$ 5,402	\$ -
Social security & medicare	-	6,254	-
Pension contribution	-	1,779	-
Office supplies	-	753	-
Postage	-	240	-
Other services & charges	-	869	-
Audit	-	4,400	-
Legal	-	389	-
Professional services	-	1,550	-
Printing & publishing	-	992	-
Telephone	-	1,030	-
Internet	-	300	-
Memberships & dues	-	1,925	-
Seminars	-	735	-
Refunds	-	-	-
Office equipment-non capitalized	-	4,799	-
Total Legislative	<u>32,270</u>	<u>31,417</u>	<u>853</u>
Supervisor			
Salary	-	10,000	-
Deputy wages	-	200	-
Total Supervisor	<u>11,150</u>	<u>10,200</u>	<u>950</u>
Elections			
Wages	-	1,518	-
Supplies	-	65	-
Postage	-	197	-
Voter machine setup	-	92	-
Mileage	-	60	-
Printing & publishing	-	-	-
Equipment-non capitalized	-	476	-
Total Elections	<u>6,800</u>	<u>2,408</u>	<u>4,392</u>
Assessor			
Wages	-	20,152	-
Supplies	-	999	-
Postage	-	1,012	-
Equipment	-	765	-
Mileage	-	-	-
Total Assessor	<u>23,800</u>	<u>22,928</u>	<u>872</u>

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT (Continued)			
Clerk			
Salary	\$ -	\$ 20,002	\$ -
Deputy wages	-	1,707	-
Supplies	-	-	-
Mileage	-	120	-
Equipment-non capitalized	-	770	-
Total Clerk	<u>23,000</u>	<u>22,599</u>	<u>401</u>
Board of Review			
Wages	-	1,150	-
Printing & publishing	-	403	-
Seminars	-	-	-
Total Board of Review	<u>2,175</u>	<u>1,553</u>	<u>622</u>
Treasurer			
Salary	-	20,500	-
Deputy wages	-	842	-
Supplies	-	-	-
Postage	-	1,540	-
Services	-	1,228	-
Mileage	-	200	-
Equipment-non capitalized	-	479	-
Total Treasurer	<u>25,800</u>	<u>24,789</u>	<u>1,011</u>
Townhall			
Maintenance manager wages	-	1,062	-
Supplies	-	47	-
Contract cleaning	-	100	-
Contract lawn care	-	2,492	-
Driveway expenses	-	1,260	-
Flags	-	-	-
Insurance	-	6,034	-
Electricity	-	2,091	-
Heat	-	1,338	-
Water conditioning	-	133	-
Repair & maintenance	-	686	-
Trash removal	-	904	-
Improvements	-	12	-
Total Townhall	<u>19,450</u>	<u>16,159</u>	<u>3,291</u>
 TOTAL GENERAL GOVERNMENT	 <u>144,445</u>	 <u>132,053</u>	 <u>12,392</u>

Hamlin Township
General Fund
Statement of Expenditures and Other Financing Uses - Budget and Actual
Year Ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PUBLIC SAFETY			
Fire Protection			
Wages	\$ -	\$ 63,375	\$ -
Social security & medicare	-	4,848	-
Office supplies	-	771	-
Supplies	-	158	-
Fuel	-	3,006	-
Physicals	-	15	-
Printing & publishing	-	301	-
Insurance	-	17,226	-
Electricity	-	1,898	-
Heat	-	1,531	-
Telephone	-	966	-
Repair & maintenance - building	-	1,284	-
Fleet repair & maintenance	-	4,424	-
Equipment repair & maintenance	-	7,502	-
Memberships & dues	-	675	-
Seminars & required testing	-	4,111	-
Public education	-	2,324	-
In-house training	-	570	-
Equipment-non capitalized	-	7,170	-
TOTAL PUBLIC SAFETY	<u>121,793</u>	<u>122,155</u>	<u>(362)</u>
HEALTH AND WELFARE			
Ambulance	<u>3,068</u>	<u>3,068</u>	<u>-</u>
PUBLIC WORKS			
Drains at Large	-	12,947	-
Roads	-	9,467	-
TOTAL PUBLIC WORKS	<u>39,000</u>	<u>22,414</u>	<u>16,586</u>
CULTURE AND RECREATION			
Parks	<u>3,000</u>	<u>2,884</u>	<u>116</u>
OTHER			
Contingency	-	-	-
TOTAL OTHER	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL OUTLAY			
	<u>83,685</u>	<u>83,683</u>	<u>2</u>
TOTAL EXPENDITURES	394,991	366,257	28,734
OTHER FINANCING USES			
Transfers to other funds	<u>14,000</u>	<u>10,000</u>	<u>4,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 408,991</u>	<u>\$ 376,257</u>	<u>\$ 32,734</u>

Hamlin Township
Cemetery Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2012

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Charges for Services:			
Lot sales	\$ -	\$ 2,400	\$ -
Foundations	-	4,647	-
Burials	-	6,550	-
Total Charges for Services	<u>8,000</u>	<u>13,597</u>	<u>5,597</u>
Interest	100	117	17
Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>8,100</u>	<u>13,714</u>	<u>5,614</u>
EXPENDITURES			
General Government			
Dirt and gravel	-	228	-
Grave openings	-	5,850	-
Lawn care	-	10,084	-
Foundation installation	-	3,984	-
Driveway care	-	590	-
Flags	-	447	-
Electricity	-	231	-
Repair and maintenance	-	1,221	-
Other	-	40	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>21,280</u>	<u>22,675</u>	<u>(1,395)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,180)</u>	<u>(8,961)</u>	<u>4,219</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(3,180)</u>	<u>1,039</u>	<u>4,219</u>
FUND BALANCE - April 1	<u>15,671</u>	<u>21,639</u>	<u>5,968</u>
FUND BALANCE - March 31	<u>\$ 12,491</u>	<u>\$ 22,678</u>	<u>\$ 10,187</u>

Hamlin 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
Assets				
Cash	\$ <u>2,227</u>	\$ <u>2,710,142</u>	\$ <u>2,710,270</u>	\$ <u>2,099</u>
Liabilities				
Due to other funds	\$ 2,227	\$ 200,948	\$ 201,076	\$ 2,099
Due to county	-	1,327,437	1,327,437	-
Due to schools	-	1,174,303	1,174,303	-
Refunds - taxpayers	<u>-</u>	<u>7,454</u>	<u>7,454</u>	<u>-</u>
Total liabilities	\$ <u>2,227</u>	\$ <u>2,710,142</u>	\$ <u>2,710,270</u>	\$ <u>2,099</u>



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

July 10, 2012

Township Board
Hamlin 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 Hamlin 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 Hamlin 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 a 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 certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiencies in Hamlin Township's internal control to be significant deficiencies.

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.

Lack of segregation of duties in recording activity in the general ledger.

Requirement: Proper internal control over the recording of activity in the general ledger necessitates that the office of the clerk perform the recording of activity in the general ledger.

Condition: The Township has been utilizing the Treasurer to enter some of the accounting activity into the general ledger software program. The Clerk is entering some of the accounting activity into the general ledger software program.

Cause: The Treasurer was the former deputy clerk and when she filled the Treasurer's position, she continued to perform the recording of activity into the general ledger. The Clerk is learning the program and is entering more of the activity each year.

Effect: The proper internal control in relation to segregation of duties is not present.

View of responsible officials: The Township is aware of the situation and will attempt to have the clerk's office perform the posting of accounting activity into the general ledger software during the 2012-2013 fiscal year.

Both of the above significant deficiencies are repeat comments from our letter to you dated June 10, 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 CPAs, P.C.
Certified Public Accountants
Mio, Michigan



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July 10, 2012

To the Township Board
Hamlin Township
Eaton Rapids, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township for the year ended March 31, 2012, and have issued our report thereon dated July 10, 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 14, 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 14, 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 Hamlin 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 net book value of fixed assets is based on estimated depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives 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 July 10, 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 Hamlin 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