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INDEPENDENT AUDITORS' REPORT

To the Township Board  
Vermontville 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 Vermontville Township, Michigan, 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 Vermontville Township, Michigan's management. Our responsibility is to express an opinion 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 Vermontville Township, Michigan, as of March 31, 2012, and the respective changes in financial position and, where applicable, cash flows 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 that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hastings, Michigan  
September 14, 2012

*Walker, Fluke & Sheldon PLC*

## Management's Discussion and Analysis

As the Township Board of Vermontville Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Vermontville Township for the fiscal year ended March 31, 2012. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

### **Financial Highlights**

- The assets of Vermontville Township exceeded its liabilities at the close of the most recent fiscal year by \$1,056,037 (net assets) compared to \$1,003,619 last year. Of this amount, \$274,197 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$52,418, compared to an increase of \$67,013 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$614,023 an increase of \$30,941 compared to an ending fund balance of \$583,082 an increase of \$84,841 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$245,997 or 263% of total general fund expenditures. In 2011 the unassigned fund balance for the general fund was \$208,742 or 138% of total general fund expenditures. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

### **Overview of the Financial Statements**

Vermontville Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplementary 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 Township's financial position 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 (e.g., state shared revenue).

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

The government-wide financial statements can be found on pages 6 - 7 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. Vermontville 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 government's near-term financing requirements.

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

Vermontville Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Ambulance, Fire, and Library funds, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 8-11 of this report.

**Fiduciary funds.** Fiduciary funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust Funds; (c) Pension Trust Funds; and (d) Agency 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 14-20 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its General, Ambulance, Fire, and Library funds. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

The required supplemental information can be found on pages 21-24 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 Vermontville Township, assets exceeded liabilities by \$1,056,037 at the close of the most recent fiscal year.

A significant portion of the Township's net assets (26 percent) reflects its unrestricted net assets (\$274,197), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Township's net assets (32 percent) reflects restricted net assets (\$339,826), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Township's net assets (42 percent) reflects its investment in capital assets (\$442,014) (e.g. land, buildings, equipment, furniture and fixtures). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Vermontville Township's Condensed Financial Data**

	<b>Audited 3/31/2012 Governmental Activities</b>	<b>Unaudited 3/31/2011 Governmental Activities</b>
Current and Other Assets	\$ 626,664	\$ 593,702
Capital Assets	<u>442,014</u>	<u>420,538</u>
Total Assets	<u>1,068,678</u>	<u>1,014,240</u>
Other Liabilities	<u>12,641</u>	<u>10,621</u>
Total Liabilities	<u>12,641</u>	<u>10,621</u>
Net Assets:		
Invested in Capital Assets, Net of related debt	442,014	420,538
Restricted	339,826	317,277
Unrestricted	<u>274,197</u>	<u>265,804</u>
Total Net Assets	<u>\$ 1,056,037</u>	<u>\$ 1,003,619</u>
Program Revenues		
Charges for Services	\$ 49,023	\$ 56,722
Operating Grants	20,594	30,800
Capital Grants	9,929	-
General Revenues		
Property Taxes	194,063	190,917
State Grants	95,820	86,134
Investment Income	3,417	4,965
Other	<u>2,790</u>	<u>3,079</u>
Total Revenues	<u>375,636</u>	<u>372,617</u>
Program Expenses		
Legislative	19,813	23,514
General Government	62,336	65,750
Public Safety	90,277	84,307
Health and Welfare	60,023	45,752
Recreation and Culture	71,099	75,045
Other	<u>7,660</u>	<u>9,728</u>
Total Expenses	<u>311,208</u>	<u>304,096</u>
Loss on Disposal of Capital Assets	<u>12,010</u>	<u>1,508</u>
Change in Net Assets	<u>\$ 52,418</u>	<u>\$ 67,013</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

**Governmental activities.** Governmental activities increased the Township's net assets by \$52,418. Revenues increased due to increases in property taxes and state grants. While there was a decrease in charges for services and other revenue. Expenses increased due to increases in general government,

public safety, and health and welfare. There was a decrease in legislative, recreation and culture, and other.

### **Financial Analysis of the Township's Funds**

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

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$614,023 an increase of \$30,941. Last year, the Township's governmental funds combined ending fund balance was \$583,082, which was an increase of \$84,841.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance for the general fund was \$274,197. Unassigned general fund balance represents 293% of the total general fund expenditures. In the prior year, the unreserved fund balance was \$208,742, which represented 138% of the total general fund expenditures.

The fund balance of the Township's general fund increased by \$8,392 during the current year, compared to a decrease of \$29,420 in the prior year.

### **General Fund Budgetary Highlights**

There were no amendments to the revenue budget during 2011. The total expenditures decreased slightly between the original budget and the final budget due to some small adjustments.

### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2011, amounts to \$442,014 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment, furniture and fixtures.

During the year, the Township spent \$109,770 on additions to fixed assets, which included office improvements and furniture, an ambulance, a pumper truck and air packs. These represented the only expenditures that the Township capitalized in 2012. Details of the Township's capital assets are continued in the notes to financial statements on page 19.

### **Economic Factors and Next Year's Budgets and Rates**

**Budget assumptions:** The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget may mean further reductions in state-shared revenues. The Township anticipates that state shared revenues will stabilize in the 2012-2013 fiscal year. The Township budgeted for no increase in state-shared revenue. The Township's millage rate will remain the same, subject to the Headlee rollback. The taxable value, as mandated, will increase according to the Consumer Price Index, thus bringing in more tax revenue. The Township's millages renewed this past year and will remain in place for five years. The Township will continue to work diligently to keep a high level of service by balancing budgets and making informed decisions based on current economic factors.

### **Requests for Information**

This financial report is designed to provide a general overview of Vermontville Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Vermontville Township, 120 E. First Street, Vermontville, MI 49096. 517-726-0355

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**March 31, 2012**

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	<b>Primary Government</b>	
<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 129,930	\$ 129,930
Investments	117,178	117,178
Receivables (Net)		
Taxes	8,336	8,336
Due From State	14,877	14,877
Due From Other Funds	16,517	16,517
Restricted Assets	339,826	339,826
Capital Assets (Net of Accumulated Depreciation)	442,014	442,014
<b>Total Assets</b>	<b>1,068,678</b>	<b>1,068,678</b>
<b>LIABILITIES</b>		
Accounts Payable	3,713	3,713
Other Accrued Liabilities	8,465	8,465
Due to Other Funds	463	463
<b>Total Liabilities</b>	<b>12,641</b>	<b>12,641</b>
<b>NET ASSETS</b>		
Net Assets		
Invested in Capital Assets, Net of Related Debt	442,014	442,014
Restricted for Ambulance	80,590	80,590
Restricted for Fire	203,086	203,086
Restricted for Library	56,150	56,150
Unrestricted	274,197	274,197
<b>Total Net Assets</b>	<b>\$ 1,056,037</b>	<b>\$ 1,056,037</b>

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

**VERMONTVILLE TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Total</u>
<b>Primary Government</b>						
Governmental Activities						
Legislative	\$ 19,813	\$ 2,460	\$ -	\$ -	\$ (17,353)	\$ (17,353)
General Government	62,336	-	-	-	(62,336)	(62,336)
Public Safety	90,277	14,300	-	9,929	(66,048)	(66,048)
Health and Welfare	60,023	27,199	-	-	(32,824)	(32,824)
Recreation and Culture	71,099	5,064	20,594	-	(45,441)	(45,441)
Other	7,660	-	-	-	(7,660)	(7,660)
<b>Total Governmental Activities</b>	<u>311,208</u>	<u>49,023</u>	<u>20,594</u>	<u>9,929</u>	<u>(231,662)</u>	<u>(231,662)</u>
<b>Total Primary Government</b>	<u>\$ 311,208</u>	<u>\$ 49,023</u>	<u>\$ 20,594</u>	<u>\$ 9,929</u>	<u>(231,662)</u>	<u>(231,662)</u>
<b>General Revenues</b>						
Taxes and Penalties					194,063	194,063
State Grants					95,820	95,820
Interest and Rentals					3,417	3,417
Other Revenue					2,790	2,790
<b>Total General Revenue</b>					<u>296,090</u>	<u>296,090</u>
Loss from Disposal of Capital Assets					<u>12,010</u>	<u>12,010</u>
Change in Net Assets					52,418	52,418
<b>Net Assets-Beginning</b>					<u>1,003,619</u>	<u>1,003,619</u>
<b>Net Assets-Ending</b>					<u>\$ 1,056,037</u>	<u>\$ 1,056,037</u>

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

**VERMONTVILLE TOWNSHIP  
GOVERNMENTAL FUND BALANCE SHEET  
March 31, 2012**

	<b>General</b>	<b>Ambulance Fund</b>	<b>Fire Fund</b>	<b>Library Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 129,930	\$ 78,483	\$ 74,693	\$ 36,306	\$ 319,412
Investments	117,178	-	124,153	17,301	258,632
Receivables (Net)					-
Taxes	4,751	4,511	4,551	3,413	17,226
Due From State	14,877	-	-	-	14,877
Due From Other Funds	<u>16,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,517</u>
 Total Assets	 <u>\$ 283,253</u>	 <u>\$ 82,994</u>	 <u>\$ 203,397</u>	 <u>\$ 57,020</u>	 <u>\$ 626,664</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 1,692	\$ 1,750	\$ -	\$ 271	\$ 3,713
Other Accrued Liabilities	7,364	191	311	599	8,465
Due To Other Funds	<u>-</u>	<u>463</u>	<u>-</u>	<u>-</u>	<u>463</u>
 Total Liabilities	 <u>9,056</u>	 <u>2,404</u>	 <u>311</u>	 <u>870</u>	 <u>12,641</u>
<b>Fund Balances</b>					
Restricted	-	80,590	203,086	56,150	339,826
Committed	28,200	-	-	-	28,200
Unassigned	<u>245,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,997</u>
 Total Fund Balances	 <u>274,197</u>	 <u>80,590</u>	 <u>203,086</u>	 <u>56,150</u>	 <u>614,023</u>
 Total Liabilities and Fund Balance	 <u>\$ 283,253</u>	 <u>\$ 82,994</u>	 <u>\$ 203,397</u>	 <u>\$ 57,020</u>	 <u>\$ 626,664</u>

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

**VERMONTVILLE TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
March 31, 2012**

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<b>Governmental Fund Balance - March 31, 2012</b>		<b>\$ 614,023</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 947,084	
Less: Accumulated depreciation	<u>(505,070)</u>	<u>442,014</u>
Net Assets of Governmental Activities		<u>\$1,056,037</u>

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

**VERMONTVILLE TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended March 31, 2012**

	<u>General</u>	<u>Ambulance Fund</u>	<u>Fire Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes and Penalties	\$ 56,034	\$ 50,168	\$ 50,207	\$ 37,654	\$ 194,063
State Grants	95,820	-	-	1,451	97,271
Contributions from Local Units	-	-	-	2,000	2,000
Fines and Forfeits	-	-	-	17,569	17,569
Charges for Services	-	27,199	14,300	579	42,078
Interest and Rentals	3,910	243	1,581	2,988	8,722
Other Revenue	<u>2,604</u>	<u>-</u>	<u>9,929</u>	<u>1,400</u>	<u>13,933</u>
<b>Total Revenues</b>	<u>158,368</u>	<u>77,610</u>	<u>76,017</u>	<u>63,641</u>	<u>375,636</u>
<b>Expenditures</b>					
Legislative	19,813	-	-	-	19,813
General Government	56,778	-	-	-	56,778
Public Safety	-	-	41,643	-	41,643
Health and Welfare	-	52,402	-	-	52,402
Recreation and Culture	-	-	-	63,402	63,402
Other	7,660	-	-	-	7,660
Capital Outlay	<u>9,283</u>	<u>54,670</u>	<u>45,817</u>	<u>-</u>	<u>109,770</u>
<b>Total Expenditures</b>	<u>93,534</u>	<u>107,072</u>	<u>87,460</u>	<u>63,402</u>	<u>351,468</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>64,834</u>	<u>(29,462)</u>	<u>(11,443)</u>	<u>239</u>	<u>24,168</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	60,942	-	-	60,942
Transfers Out	(60,942)	-	-	-	(60,942)
Proceeds from Sale of Capital Assets	<u>4,500</u>	<u>-</u>	<u>2,273</u>	<u>-</u>	<u>6,773</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(56,442)</u>	<u>60,942</u>	<u>2,273</u>	<u>-</u>	<u>6,773</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>8,392</u>	<u>31,480</u>	<u>(9,170)</u>	<u>239</u>	<u>30,941</u>
<b>Fund Balance-April 1, 2011</b>	<u>265,805</u>	<u>49,110</u>	<u>212,256</u>	<u>55,911</u>	<u>583,082</u>
<b>Fund Balance-March 31, 2012</b>	<u>\$ 274,197</u>	<u>\$ 80,590</u>	<u>\$ 203,086</u>	<u>\$ 56,150</u>	<u>\$ 614,023</u>

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

**VERMONTVILLE TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**March 31, 2012**

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 30,941**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives

Expenditures for capital assets	\$ 109,770	
Less: Proceeds from Sale of Capital Assets	6,773	
Less: Current year depreciation	69,510	
Less: Loss from disposal of capital assets	<u>12,010</u>	<u>21,477</u>

Change in Net Assets of Governmental Activities **\$ 52,418**

**VERMONTVILLE TOWNSHIP**  
**FIDUCIARY FUNDS STATEMENT OF NET ASSETS**  
**March 31, 2012**

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<b>ASSETS</b>	<b>Pension Trust</b>	<b>Current Tax Collection</b>
Cash	\$ -	\$ 16,054
Investments-at Fair Value:		
Other Investments	56,142	-
Total Assets	56,142	16,054
<b>LIABILITIES</b>		
Due to Other Funds	-	16,054
Total Liabilities	-	16,054
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	\$ 56,142	\$ -

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

**VERMONTVILLE TOWNSHIP**  
**FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET ASSETS**  
**For the Year Ended March 31, 2012**

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	<u>Pension Trust</u>
<b>Additions</b>	
Contributions	
Employer	\$ 6,900
Total Contributions	6,900
Investment Income	
Interest and Dividends	<u>(511)</u>
Total Additions	<u>6,389</u>
<b>Deductions</b>	
Employee Withdrawals and Transfers	-
Charges	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	6,389
Net Assets-Beginning	<u>49,753</u>
Net Assets-Ending	<u>\$ 56,142</u>

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

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**REPORTING ENTITY**

Vermontville Township is situated in at the western edge of Eaton County and encompasses the Village of Vermontville. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, ambulance services, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

**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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given 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 related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

**Taxes Receivable** - The Township property tax is levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county delinquent tax rolls.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

Taxes Receivable (Continued) - Although the Township ad valorem tax is levied and collectible on February 1<sup>st</sup>, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2011 State taxable valuation of the Township totaled \$50,122,696 on which ad valorem taxes levied consisted of .8420 mills for Township operating purposes, 1.000 mills for the Township's fire department, .7500 mills for the Library, and 1.000 mills for ambulatory, raising \$42,197 for operating purposes, \$50,117 for the fire department, \$37,586 for the library, and \$50,117 for ambulatory services.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Ambulance Fund accounts for the Township's ambulatory services. Revenues are primarily derived from property taxes and ambulance runs.
- The Fire Fund accounts for the Township's fire services. Revenues are primarily derived from property taxes and fire runs.
- The Library Fund accounts for the Township's support of Vermontville Public Library. Revenues are primarily derived from property taxes.

Additionally, the government reports the following fiduciary fund types:

- The Pension Trust Fund accounts for the activities of the retirement system, which accumulates resources for pension, benefit payments to qualified employees.
- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The tax collection fund is the Township's only Trust and Agency Fund.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

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

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

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> based on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 28<sup>th</sup>. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Eaton County. The County sells tax notes and the proceeds are used to pay the Township for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Restricted Assets - The Township has restricted assets for ambulance, fire and library. By restricting a portion of the net assets for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than the library or for fire service.

Committed Assets - The Township has committed assets for a new trail and for the library. By committing a portion of the fund balance for a specific purpose, the Township has limited the use of the funds for that specific purpose, unless the council rescinds via resolution.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets 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 donation.

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

<u>General Assets</u>	
Buildings	40 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures. The township currently has no long-term obligations.

Fund Equity - In March 2009 the GASB 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 hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The Township implemented Statement No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board.
- Assigned: Amounts that are for specific purposes expressed by the board, or the director, who is authorized by resolution approved by the board to make assignments.
- Unassigned: All other amounts available for any purpose.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)**

Restricted/Unrestricted Resources – When expenses are incurred for which both restricted and unrestricted resources are available, it is the Township's policy to first apply restricted resources. Once restricted resources are exhausted, the Township's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. The Township Boards prepares the annual budgets prior to March 31. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2012, the Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
General Government:			
Legislative	\$ 18,392	\$ 19,813	\$ 1,421
Assessor	\$ 13,553	\$ 14,537	\$ 984
Capital Outlay	\$ 9,200	\$ 9,283	\$ 83
Ambulance			
Health and Welfare	\$ 69,300	\$ 107,072	\$ 37,772
Fire			
Public Safety	\$ 61,550	\$ 87,460	\$ 25,910
Library			
Recreation and Culture	\$ 55,268	\$ 63,402	\$ 8,134

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Vermontville Township

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

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**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated one bank, one savings bank and one federal credit union for the deposit of Vermontville Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, American Funds Retirement Resources. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

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

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>FIDUCIARY ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>
Cash and Cash Equivalents	\$ 129,930	\$ 16,054	\$ 145,984
Investments	117,178	56,142	173,320
Restricted Assets	326,936	-	326,936
<b>Total</b>	<b>\$ 574,044</b>	<b>\$ 72,196</b>	<b>\$ 646,240</b>

The breakdown between deposits and investments is:

	<b>TOTAL PRIMARY GOVERNMENT</b>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 590,098
Investment in Securities (Mutual Funds and Similar Vehicles)	56,142
Petty Cash and Cash on Hand	-
<b>Total</b>	<b>\$ 646,240</b>

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2012, the Township has deposits with a carrying amount of \$590,098 and a bank balance of \$602,923. Of the bank balance, \$523,665 is covered by federal depository insurance and \$79,258 is uninsured and \$0 is collateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

**CAPITAL ASSETS**

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

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 18,627	\$ -	\$ -	\$ 18,627
Subtotal	<u>18,627</u>	<u>-</u>	<u>-</u>	<u>18,627</u>
Capital Assets Being Depreciated				
Buildings	143,874	5,339	-	149,213
Improvements	44,512	-	-	44,512
Furniture	32,992	2,619	1,007	34,604
Equipment	744,750	99,865	176,190	668,425
Data Processing Equipment	<u>46,158</u>	<u>1,947</u>	<u>16,402</u>	<u>31,703</u>
Subtotal	1,012,286	109,770	193,599	928,457
Less Accumulated Depreciation for				
Buildings	24,462	4,123	-	28,585
Improvements	28,852	1,892	-	30,744
Furniture	14,320	2,373	721	15,972
Equipment	511,166	56,296	158,571	408,891
Data Processing Equipment	<u>31,576</u>	<u>4,826</u>	<u>15,524</u>	<u>20,878</u>
Subtotal	<u>610,376</u>	<u>69,510</u>	<u>174,816</u>	<u>505,070</u>
Net Capital Assets Being Depreciated	<u>401,910</u>	<u>40,260</u>	<u>18,783</u>	<u>423,387</u>
Governmental Activities Total Capital Assets-Net of Depreciation	<u>\$ 420,537</u>	<u>\$ 40,260</u>	<u>\$ 18,783</u>	<u>\$ 442,014</u>

Depreciation expense was charged to programs of the Township as follows:

Governmental Activities	
General Government	\$ 5,558
Public Safety	48,634
Health and Welfare	7,621
Recreation and Cultural	<u>7,697</u>
Total Governmental Activities	<u>\$ 69,510</u>

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2012**

**INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 16,517	Ambulance	463
		Current Tax	\$ 16,054
	\$ 16,517		\$ 16,517

The interfund receivables and payables represent money owed to the general fund for taxes collected in the tax fund and ambulance fund.

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. As of March 31, 2012, the Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. The Township did not have any settled claims from April 1, 2011 to March 31, 2012. Following is a summary of the risk management pool participation.

At March 31, 2012, there were no claims, which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**DEFINED CONTRIBUTION PLAN**

The Township contributes to a defined contribution pension plan for its eligible employees. American Funds Retirement Resources holds the participants' accounts in individual "guaranteed accounts". 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 forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township. Contributions by the Township vest immediately. The Township contributes to the pension plan for the employees based on the following levels of compensation:

\$ 499.99	and	less	\$ 100.00
\$ 500.00	to	999.99	\$ 200.00
\$ 1,000.00	to	1,499.99	\$ 300.00
\$ 1,500.00	to	1,999.99	\$ 400.00

The contribution increases by \$100 for each additional compensation of \$499.99 or part thereof. During the year, the Township's required contributions amounted to \$6,900, which was 22.16% of its current-year covered payroll of \$31,142. The current year's required contribution was made August 20, 2012 which was after the current year. The total fiscal year payroll was \$58,312. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**SUBSEQUENT EVENT**

The Township is currently working with the Woodlawn Cemetery Association to transition the Cemetery from a private cemetery to a Township cemetery. As of the report date, the cemetery had not been turned over to the Township and the financial impact has not been determined.

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2012**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 265,805	\$ 265,805	\$ 265,805	\$ -
<b>Resources (Inflows)</b>				
Taxes and Penalties	58,022	58,022	56,034	(1,988)
State Grants	79,111	79,111	95,820	16,709
Interest and Rentals	1,000	1,000	3,910	2,910
Other Revenue	<u>2,730</u>	<u>2,730</u>	<u>2,604</u>	<u>(126)</u>
<b>Total Resources</b>	<u>140,863</u>	<u>140,863</u>	<u>158,368</u>	<u>17,505</u>
<b>Charges to Appropriations (Outflows)</b>				
Legislative	18,392	18,392	19,813	(1,421)
General Government				
Supervisor	7,647	7,647	7,647	-
Elections	2,250	1,576	1,106	470
Assessor	13,463	13,553	14,537	(984)
Clerk	12,012	12,737	12,052	685
Board of Review	1,650	1,650	1,259	391
Treasurer	13,738	13,738	13,461	277
Township Hall	6,600	7,274	6,716	558
Other				
Insurance, Bonds, Dues and Fringes	9,450	9,360	7,660	1,700
Capital Outlay	<u>9,200</u>	<u>9,200</u>	<u>9,283</u>	<u>(83)</u>
<b>Total Charges to Appropriations</b>	<u>94,402</u>	<u>95,127</u>	<u>93,534</u>	<u>1,593</u>
Excess of Resources Over (Under) Appropriations	<u>46,461</u>	<u>45,736</u>	<u>64,834</u>	<u>19,098</u>
<b>Other Financing Sources (Uses)</b>				
Transfer Out	-	-	(60,942)	(60,942)
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>4,500</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(56,442)</u>	<u>(56,442)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>46,461</u>	<u>45,736</u>	<u>8,392</u>	<u>(37,344)</u>
<b>Budgetary Fund Balance - March 31, 2012</b>	<u>\$ 312,266</u>	<u>\$ 311,541</u>	<u>\$ 274,197</u>	<u>\$ (37,344)</u>

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - AMBULANCE FUND**  
For the Year Ended March 31, 2012

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 49,110	\$ 49,110	\$ 49,110	\$ -
Resources (Inflows)				
Taxes and Penalties	49,254	49,254	50,168	914
Charges for Services	21,000	21,000	27,199	6,199
Interest and Rentals	-	-	243	243
Total Resources	<u>70,254</u>	<u>70,254</u>	<u>77,610</u>	<u>7,356</u>
Charges to Appropriations (Outflows)				
Health and Welfare:				
Wages and Fringes			24,733	
Supplies			2,573	
Professional Fees			998	
Insurance and Bonds			1,418	
Repairs, Maintenance and Fuel			3,889	
Contracted Services			18,306	
Miscellaneous and Training			485	
Capital Outlay			<u>54,670</u>	
Total Charges to Appropriations	<u>69,300</u>	<u>69,300</u>	<u>107,072</u>	<u>(37,772)</u>
Excess of Resources Over (Under) Appropriations	<u>954</u>	<u>954</u>	<u>(29,462)</u>	<u>(30,416)</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	60,942	60,942
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>60,942</u>	<u>60,942</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>954</u>	<u>954</u>	<u>31,480</u>	<u>30,526</u>
Budgetary Fund Balance - March 31, 2012	<u>\$ 50,064</u>	<u>\$ 50,064</u>	<u>\$ 80,590</u>	<u>\$ 30,526</u>

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - FIRE FUND**  
**For the Year Ended March 31, 2012**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 212,256	\$ 212,256	\$ 212,256	\$ -
Resources (Inflows)				
Taxes and Penalties	49,300	49,300	50,207	907
Charges for Services	15,400	15,400	14,300	(1,100)
Interest and Rentals	1,000	1,000	1,581	581
Other Revenue	<u>-</u>	<u>-</u>	<u>9,929</u>	<u>9,929</u>
Total Resources	<u>65,700</u>	<u>65,700</u>	<u>76,017</u>	<u>10,317</u>
Charges to Appropriations (Outflows)				
Public Safety:				
Wages and Fringes			7,193	
Supplies			1,212	
Professional Fees			398	
Telephone			991	
Insurance and Bonds			8,857	
Repairs, Maintenance and Fuel			17,433	
Uniforms			139	
Utilities			4,962	
Miscellaneous and Training			458	
Capital Outlay			<u>45,817</u>	
Total Charges to Appropriations	<u>61,550</u>	<u>61,550</u>	<u>87,460</u>	<u>(25,910)</u>
Excess of Resources Over (Under) Appropriations	<u>4,150</u>	<u>4,150</u>	<u>(11,443)</u>	<u>(15,593)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>2,273</u>	<u>2,273</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,273</u>	<u>2,273</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>4,150</u>	<u>4,150</u>	<u>(9,170)</u>	<u>(13,320)</u>
Budgetary Fund Balance - March 31, 2012	<u>\$ 216,406</u>	<u>\$ 216,406</u>	<u>\$ 203,086</u>	<u>\$ (13,320)</u>

**VERMONTVILLE TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND**  
**For the Year Ended March 31, 2012**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 55,911	\$ 55,911	\$ 55,911	\$ -
<b>Resources (Inflows)</b>				
Taxes and Penalties	36,968	36,968	37,654	686
State Grants	1,500	1,500	1,451	(49)
Contributions from Local Units	2,000	2,000	2,000	-
Fines and Forfeits	17,500	17,500	17,569	69
Charges for Services	500	500	579	79
Interest and Rentals	3,450	3,450	2,988	(462)
Other Revenue	<u>200</u>	<u>200</u>	<u>1,400</u>	<u>1,200</u>
<b>Total Resources</b>	<u>62,118</u>	<u>62,118</u>	<u>63,641</u>	<u>1,523</u>
<b>Charges to Appropriations (Outflows)</b>				
Recreation and Culture:				
Wages and Fringes			40,915	
Training			622	
Books and Videos			6,255	
Supplies			7,106	
Computer Supplies			1,123	
Telephone			484	
Professional Fees			398	
Utilities			2,226	
Contracted Services			1,785	
Repairs and Maintenance			78	
Insurance			100	
Bank Charges			64	
Special Programs			1,237	
Memberships			363	
Miscellaneous			<u>646</u>	
<b>Total Charges to Appropriations</b>	<u>55,268</u>	<u>55,268</u>	<u>63,402</u>	<u>(8,134)</u>
<b>Excess of Resources Over (Under) Appropriations</b>	<u>6,850</u>	<u>6,850</u>	<u>239</u>	<u>(6,611)</u>
<b>Budgetary Fund Balance - March 31, 2012</b>	<u>\$ 62,761</u>	<u>\$ 62,761</u>	<u>\$ 56,150</u>	<u>\$ (6,611)</u>



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To the Township Board  
Vermontville Township  
Eaton County, Michigan

We have recently completed our audit of the basic financial statements of Vermontville Township for the year ended March 31, 2012. As an addition to the audit report, the following report on internal control and results of the audit are being provided to Vermontville Township.

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<b>Results of the Audit</b>	3 - 4

We are very thankful for the opportunity to be of service to Vermontville Township. Should you have any questions regarding these reports, please do not hesitate to contact us.

*Walker, Fluke & Sheldon PC*

Hastings, Michigan  
September 14, 2012



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To the Township Board  
Vermontville 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 Vermontville 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 Vermontville Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 consider the following deficiencies in Vermontville Township's internal control to be material weaknesses:

- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. This is a recurring comment. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the board of Vermontville Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, Michigan  
September 14, 2012

*Walker, Fluke & Sheldon PLC*



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September 14, 2012

To the Township Board  
Vermontville Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vermontville Township for the year ended March 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 31, 2012. Professional standards also require that we communicate to you the following information related to our audit.

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 Vermontville Township are described in the notes to the financial statements. As described in the notes, Vermontville Township changed accounting policies related to GASB No. 54 Fund Balance Reporting and Governmental Fund-Type Definitions. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 Township's financial statements is depreciation.

Vermontville Township's estimate of depreciation is based on estimated useful lives of capital assets. We reviewed these estimates used to calculate depreciation and believe they are 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. The following material misstatements detected as a result of audit procedures were corrected by management: Donated capital outlay was recorded and property tax receivables were adjusted.

*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 September 14, 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*

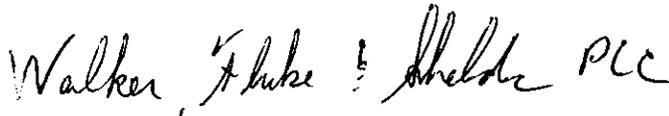
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Vermontville Township of Eaton County, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. During the course of audit, a certain item came to our attention which requires further comment.

We noted that although the township periodically uses a credit card to make purchases, it does not have a credit card policy in place to govern the use of the credit card. This is a recurring comment. Public Acts 266 and 280 of 1995 requires the governing body to approve a policy for the use of credit cards prior to accepting payment by credit card, or using credit cards to purchase goods or services for the official business of the local unit.

The library does not deposit funds on a normal basis. Funds collected by the library need to be deposited on a regular basis to safeguard these funds. Documentation for these deposits should also be produced so amounts, dates and sources of funds can be verified.

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

Very truly yours,

A handwritten signature in cursive script that reads "Walker, Fluke & Sheldon PLC".

Walker, Fluke and Sheldon, PLC