

TOWNSHIP OF REPUBLIC, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended March 31, 2012

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ANDERSON, TACKMAN & COMPANY, PLC

Certified Public Accountants

"A Regional Firm With Offices In Michigan And Wisconsin"

102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

Michael A. Grentz, CPA

William C. Sheltrou, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of the
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan, as of and for the year ended March 31, 2012, which collectively comprise the Township of Republic, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Republic, Michigan'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2012, on our consideration of the Township of Republic, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Trustees of the
Township of Republic, Michigan
Republic, Michigan 49879

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Republic, Michigan's financial statements as a whole. The individual major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The individual major fund financial statements 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 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 financial statements as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 9, 2012

Township of Republic, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Republic, Michigan's financial performance provides an overview of the Township of Republic, Michigan's financial activities for the year ended March 31, 2012. Please read it in conjunction with the financial statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net assets for the Township of Republic, Michigan as a whole increased by \$99,798 as a result of this year's operations. Net assets of our governmental activities increased by \$73,190, or 19 percent, and net assets of our business-type activities increased by \$26,608, or 2 percent.
- During the year, the Township of Republic, Michigan had expenses for governmental activities that were \$541,612 which is \$73,190 less than the \$614,802 generated in general revenues and program sources.
- During the year, the Township of Republic, Michigan had expenses for business-type activities that were \$371,467 which is \$26,608 less than the \$398,075 generated in general revenues and program sources.
- The General Fund reported a net fund balance of \$459,548. The net change in fund balance of \$18,262 was \$23,959 lower than the budgeted increase of \$42,221.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (as listed in the table of contents) provide information about the activities of the Township of Republic, Michigan as a whole and present a longer-term view of the Township of Republic, Michigan's finances. Fund financial statements (as listed in the table of contents) tell how these services were financed in the short term, as well as what remains for the future spending. Fund financial statements also report the Township of Republic, Michigan's operations in more detail than the government-wide financial statements by providing information about the Township of Republic, Michigan's most significant funds. The remaining statements provide financial information about activities for which the Township of Republic, Michigan acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township of Republic, Michigan as a Whole

Our analysis of the Township of Republic, Michigan as a whole begins in the next section entitled Reporting on the Township of Republic, Michigan's Most Significant Funds. One of the most important questions asked about the Township of Republic, Michigan's finances is "Is the Township of Republic, Michigan as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township of Republic, Michigan as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township of Republic, Michigan's *net assets* and changes in them. You can think of the net assets as the difference between assets and liabilities - as one way to measure the financial health, or *financial position*. Over time, *increases or decreases* in the net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in

Township of Republic, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

the patron base and the condition of the capital assets, to assess the *overall financial health* of the Township of Republic, Michigan.

In the Statement of Net Assets and the Statement of Activities, we divide the Township of Republic, Michigan into two kinds of activities:

- **Governmental Activities** – Most of the Township of Republic, Michigan’s basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township of Republic, Michigan charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township of Republic, Michigan’s Water System, Sewer System, and Solid Waste Disposal activities are reported here.

The Township of Republic, Michigan as Trustee

The Township of Republic, Michigan is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township of Republic, Michigan’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets (as listed in the table of contents). We exclude these activities from the Township of Republic, Michigan’s other financial statements because the Township of Republic, Michigan cannot use these assets to finance its operations.

The Township of Republic, Michigan is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township of Republic, Michigan as a Whole

Table 1 provides a summary of the Township of Republic, Michigan’s net assets as of March 31, 2012 and 2011.

**Table 1
Statement of Net Assets**

	2012			2011		
	Governmental Activities	Business-Type Activities	Total Primary Activities	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$626,414	\$222,925	\$849,339	\$673,428	\$190,975	\$864,403
Capital Assets, Net	330,984	1,661,426	1,992,410	384,290	1,712,322	2,096,612
Total Assets	957,398	1,884,351	2,841,749	1,057,718	1,903,297	2,961,015
Current liabilities	24,435	22,029	46,464	42,125	28,360	70,485
Non-Current Liabilities	479,180	125,000	604,180	635,000	164,223	799,223
Total Liabilities	503,615	147,029	650,644	677,125	192,583	869,708

Township of Republic, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 1 (Continued)
Statement of Net Assets**

	2012			2011		
	Governmental Activities	Business- Type Activities	Total Primary Activities	Governmental Activities	Business- Type Activities	Total Primary Government
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$(166,196)	\$1,516,426	\$1,350,230	\$(267,710)	\$1,525,183	\$1,257,473
Restricted	161,346	-	161,346	-	-	-
Unrestricted	458,633	220,896	679,529	648,303	185,531	833,834
Total Net Assets	\$453,783	\$1,737,322	\$2,191,105	\$380,593	\$1,710,714	\$2,091,307

Net assets of the Township of Republic, Michigan's governmental activities stood at \$453,783. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$458,633.

The \$458,633 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$1,737,322. The Township of Republic, Michigan can generally only use these net assets to finance continuing operations of the Water System, Sewer System, and Solid Waste Disposal operations.

The results of this year's operations for the Township of Republic, Michigan as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2012 and 2011.

**Table 2
Statement of Activities**

	2012			2011		
	Governmental Activities	Business- Type Activities	Total Primary Activities	Governmental Activities	Business- Type Activities	Total Primary Government
Revenues						
Program Revenues:						
Charges for services	\$17,541	\$397,634	\$415,175	\$15,890	\$381,635	\$397,525
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	485,372	-	485,372	471,075	-	471,075
State Sources	80,299	-	80,299	71,490	-	71,490
Interest and Miscellaneous	31,590	441	32,031	90,251	330	90,581
Total Revenues	614,802	398,075	1,012,877	648,706	381,965	1,030,671

Township of Republic, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2 (Continued)
Statement of Activities**

	2012			2011		
	Governmental Activities	Business- Type Activities	Total Primary Activities	Governmental Activities	Business- Type Activities	Total Primary Government
Program Expenses:						
Legislative	\$80,651	\$-	\$80,651	\$66,609	\$-	\$66,609
General Services and administration	163,335	-	163,335	157,120	-	157,120
Public Safety	40,191	-	40,191	21,386	-	21,386
Public Works	98,118	-	98,118	246,193	-	246,193
Community and Economic Development	7,253	-	7,253	7,480	-	7,480
Health and Welfare	20,484	-	20,484	21,472	-	21,472
Recreation and Culture	38,538	-	38,538	36,020	-	36,020
Debt Service	28,552	-	28,552	15,078	-	15,078
Capital Outlay	11,184	-	11,184	-	-	-
Other Expense	-	-	-	11,147	-	11,147
Unallocated Depreciation	53,306	-	53,306	53,305	-	53,305
Sewer system	-	163,735	163,735	-	170,365	170,365
Water system	-	107,332	107,332	-	116,097	116,097
Solid waste disposal	-	100,400	100,400	-	102,083	102,083
Total Expenses	541,612	371,467	913,079	635,810	388,545	1,024,355
Excess (deficiency) before transfers	73,190	26,608	99,798	12,896	(6,580)	6,316
Transfers	-	-	-	-	-	-
Increase/(decrease) in net assets	73,190	26,608	99,798	12,896	(6,580)	6,316
Net assets, beginning	380,593	1,710,714	2,091,307	367,697	1,717,294	2,084,991
Net Assets, Ending	\$453,783	\$1,737,322	\$2,191,105	\$380,593	\$1,710,714	\$2,091,307

The Township of Republic, Michigan's total revenues were \$1,012,877. The total cost of all programs and services was \$913,079, leaving an increase in net assets of \$99,798. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The Governmental Activities experienced an increase in net assets for the year of \$73,190. Key reasons for the change in net assets are as follows:

- Net decrease in governmental fund balances of \$28,324
- Capital outlay reclassified to capital assets of \$0
- Depreciation charged to expenses of \$53,306
- Principle payments reclassified from expenses to liability \$154,820

Business-type Activities

The Business-Type Activities experienced an increase in net assets for the year of \$26,608. Key reasons for the change in net assets are as follows:

- Sewer Fund decrease of \$50,924, which is resulting from not charging users enough to cover depreciation expense.
- Water Fund increase of \$49,191, which is resulting from charging users for the future water project.

Township of Republic, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- Solid Waste increase of \$28,341, which is resulting from revenue invoiced and received for past landfill user fees.

THE TOWNSHIP OF REPUBLIC, MICHIGAN’S FUNDS

Our analysis of the Township of Republic, Michigan’s major funds (as listed in the table of contents). The fund financial statements provide detail information about the most significant funds, not the Township of Republic, Michigan as a whole.

The Governmental Funds had a net loss for the year of \$28,324. The main reason for this decrease was due to the Debt Service Fund having debt payments greater than the property tax revenue received in the current year.

General Fund Budgetary Highlights

Over the course of the year, the Township of Republic, Michigan did revise the budget.

There were several significant budget variances during the fiscal year. Revenues were \$10,002 less than the budgeted \$487,850. Expenditures were \$13,957 more than the budgeted \$445,629. The majority of the variance in revenues was from tax income not received of \$23,409. The majority of the variance in expenditures was from general services and administration that was spent in the amount of \$26,183.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2012 and 2011, the Township of Republic, Michigan had \$1,992,410 and \$2,096,612 invested in a variety of capital assets including land, construction in progress, buildings, and other equipment. (See Table 3 below)

**Table 3
Capital Assets
(Net of Accumulated Depreciation)**

	2012			2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Totals
Land	\$17,000	\$49,000	\$66,000	\$17,000	\$49,000	\$66,000
Construction in progress	-	-	-	-	-	-
Buildings and improvements	257,411	-	257,411	267,393	-	267,393
Equipment and furnishings	56,573	-	56,573	99,897	-	99,897
Sewer System	-	933,040	933,040	-	974,971	974,971
Water System	-	662,766	662,766	-	688,351	688,351
Solid Waste	-	16,620	16,620	-	-	-
Total	\$330,984	\$1,661,426	\$1,992,410	\$384,290	\$1,712,322	\$2,096,612

During the year the Township replaced a sewer valve and built a retaining wall. There were no deletions to capital assets during the year. Depreciation expense totaled \$153,224 for the year. Further details on capital assets can be found in the footnotes to the financial statements.

Township of Republic, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At end of the fiscal year, the Township of Republic, Michigan had \$642,180 in outstanding debt as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	2012			2011		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
EMS Building Bond	\$497,180	\$-	\$497,180	\$652,000	\$-	\$652,000
Sewer Revenue Bond	-	135,000	135,000	-	145,000	145,000
Special Assessment Bond	-	10,000	10,000	-	20,000	20,000
Water Tank Loan	-	-	-	-	22,139	22,139
Total	\$497,180	\$145,000	\$642,180	\$652,000	\$187,139	\$839,139

The Township of Republic, Michigan made principal payments of \$196,959 in the current fiscal year. Further details on long-term debt can be found in the footnotes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

In preparing the Township of Republic, Michigan’s budgets for year ending 2013 the Board uses an average of the last five years income and expenses as a starting point and adjusts items that we know are going to increase or decrease. We also consider any capital expenditures or main repairs that need to be made.

CONTACTING THE TOWNSHIP OF REPUBLIC’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors with a general overview of the Township of Republic, Michigan’s finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, contact the Township of Republic, P.O. Box 338, Republic, Michigan 49879.

Township of Republic, Michigan

STATEMENT OF NET ASSETS

March 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and equivalents	\$ 137,504	\$ 170,004	\$ 307,508
Accounts receivable, net	496,906	44,925	541,831
Inter-fund receivables and payables	(7,996)	7,996	-
TOTAL CURRENT ASSETS	626,414	222,925	849,339
Non-current assets:			
Land and construction in progress	17,000	49,000	66,000
Other capital assets, net	313,984	1,612,426	1,926,410
Total Capital Assets	330,984	1,661,426	1,992,410
TOTAL NON-CURRENT ASSETS	330,984	1,661,426	1,992,410
TOTAL ASSETS	957,398	1,884,351	2,841,749
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	-	-
Wages payable	6,435	2,029	8,464
Current Maturities of bonds payable	18,000	20,000	38,000
TOTAL CURRENT LIABILITIES	24,435	22,029	46,464
Non-current Liabilities:			
Bonds payable	479,180	125,000	604,180
TOTAL NON-CURRENT LIABILITIES	479,180	125,000	604,180
TOTAL LIABILITIES	503,615	147,029	650,644
NET ASSETS			
Invested in capital assets, net of related debt	(166,196)	1,516,426	1,350,230
Restricted	161,346	-	161,346
Unrestricted	458,633	220,896	679,529
TOTAL NET ASSETS	\$ 453,783	\$ 1,737,322	\$ 2,191,105

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2012

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business Type Activities	Total
Primary Government:							
Governmental Activities:							
Legislative	\$ 80,651	\$ -	\$ -	\$ -	\$ (80,651)	\$ -	\$ (80,651)
General Services and Administration	163,335	12,839	-	-	(150,496)	-	(150,496)
Public Safety	40,191	1,400	-	-	(38,791)	-	(38,791)
Public works	98,118	-	-	-	(98,118)	-	(98,118)
Community and Economic Development	7,253	-	-	-	(7,253)	-	(7,253)
Health and Welfare	20,484	3,302	-	-	(17,182)	-	(17,182)
Recreation and Culture	38,538	-	-	-	(38,538)	-	(38,538)
Debt Service	28,552	-	-	-	(28,552)	-	(28,552)
Capital Outlay	11,184	-	-	-	(11,184)	-	(11,184)
Unallocated Depreciation	53,306	-	-	-	(53,306)	-	(53,306)
Total Governmental Activities	541,612	17,541	-	-	(524,071)	-	(524,071)
Business Type Activities:							
Sewer	163,735	112,745	-	-	-	(50,990)	(50,990)
Water	107,332	156,204	-	-	-	48,872	48,872
Solid Waste	100,400	128,685	-	-	-	28,285	28,285
Total Business Type Activities	371,467	397,634	-	-	-	26,167	26,167
TOTAL PRIMARY GOVERNMENT	\$ 913,079	\$ 415,175	\$ -	\$ -	(524,071)	26,167	(497,904)
General Revenues:							
					485,372	-	485,372
					80,299	-	80,299
					22,645	441	23,086
					8,945	-	8,945
					-	-	-
					597,261	441	597,702
					73,190	26,608	99,798
					380,593	1,710,714	2,091,307
					\$ 453,783	\$ 1,737,322	\$ 2,191,105

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2012

	General Fund	Road Fund	Tax Increment Financing District Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 102,691	\$ 34,264	\$ -	\$ 549	\$ 137,504
Receivables	50,291	4,921	-	7,014	62,226
Due from other funds	347,197	48,147	4,517	66,650	466,511
TOTAL ASSETS	\$ 500,179	\$ 87,332	\$ 4,517	\$ 74,213	\$ 666,241
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued wages	6,435	-	-	-	6,435
Due to other funds	34,196	-	5,432	199	39,827
TOTAL LIABILITIES	40,631	-	5,432	199	46,262
FUND BALANCE:					
Non-Spendable	-	-	-	-	-
Restricted	-	87,332	-	74,014	161,346
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	459,548	-	(915)	-	458,633
TOTAL FUND BALANCE	459,548	87,332	(915)	74,014	619,979
TOTAL LIABILITIES AND FUND BALANCE	\$ 500,179	\$ 87,332	\$ 4,517	\$ 74,213	\$ 666,241

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

March 31, 2012

Total Fund Balances for Governmental Funds \$ 619,979

Amounts reported for governmental activities in the statement

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Land	\$ 17,000	
Capital assets	1,932,523	
Accumulated depreciation	<u>(1,618,539)</u>	330,984

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	(18,000)	
Long-term portion of bonds payable	<u>(479,180)</u>	<u>(497,180)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 453,783

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended March 31, 2012

	General Fund	Road Fund	Tax Increment Financing District Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 353,691	\$ 52,431	\$ 4,517	\$ 74,733	\$ 485,372
License and Permits	1,630	-	-	-	1,630
State Sources	75,292	5,007	-	-	80,299
Charges for Services	15,911	-	-	-	15,911
Interest and Rentals	22,379	98	-	168	22,645
Other Revenue	8,945	-	-	-	8,945
TOTAL REVENUES	477,848	57,536	4,517	74,901	614,802
EXPENDITURES:					
Current operations:					
Legislative	80,651	-	-	-	80,651
General Services and Administration	163,167	-	168	-	163,335
Public Safety	40,191	-	-	-	40,191
Public Works	98,118	-	-	-	98,118
Community and Economic Development	7,253	-	-	-	7,253
Health and Welfare	20,484	-	-	-	20,484
Recreation and Culture	38,538	-	-	-	38,538
Debt Service	-	-	-	183,372	183,372
Other	11,184	-	-	-	11,184
TOTAL EXPENDITURES	459,586	-	168	183,372	643,126
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,262	57,536	4,349	(108,471)	(28,324)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
CHANGE IN FUND BALANCE	18,262	57,536	4,349	(108,471)	(28,324)
Fund balance, beginning of year	441,286	29,796	(5,264)	182,485	648,303
FUND BALANCE, END OF YEAR	\$ 459,548	\$ 87,332	\$ (915)	\$ 74,014	\$ 619,979

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

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

For the Fiscal Year Ended March 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (28,324)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(53,306)</u>	(53,306)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		<u>154,820</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 73,190

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2012

	Business - Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 15,599	\$ 134,509	\$ 19,896	\$ 170,004
Accounts receivable, net	16,666	20,285	7,974	44,925
Due from other funds	2,774	-	36,286	39,060
TOTAL CURRENT ASSETS	<u>35,039</u>	<u>154,794</u>	<u>64,156</u>	<u>253,989</u>
Non-current Assets:				
Land	-	49,000	-	49,000
Capital assets	3,025,717	1,023,375	16,620	4,065,712
Accumulated depreciation	(2,092,677)	(360,609)	-	(2,453,286)
TOTAL NON-CURRENT ASSETS	<u>933,040</u>	<u>711,766</u>	<u>16,620</u>	<u>1,661,426</u>
TOTAL ASSETS	<u>968,079</u>	<u>866,560</u>	<u>80,776</u>	<u>1,915,415</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	-	-	-	-
Wages payable	815	700	514	2,029
Due to other funds	10,525	20,539	-	31,064
Current portion of long-term debt	20,000	-	-	20,000
TOTAL CURRENT LIABILITIES	<u>31,340</u>	<u>21,239</u>	<u>514</u>	<u>53,093</u>
Non-current Liabilities:				
Bond payable	125,000	-	-	125,000
TOTAL NON-CURRENT LIABILITIES	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
TOTAL LIABILITIES	<u>156,340</u>	<u>21,239</u>	<u>514</u>	<u>178,093</u>
NET ASSETS:				
Invested in capital assets net of related debt	788,040	711,766	16,620	1,516,426
Restricted - debt service	-	-	-	-
Unrestricted	23,699	133,555	63,642	220,896
TOTAL NET ASSETS	<u>\$ 811,739</u>	<u>\$ 845,321</u>	<u>\$ 80,262</u>	<u>\$ 1,737,322</u>

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended March 31, 2012

	Business - Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
OPERATING REVENUES:				
Charges for services (net)	\$ 112,742	\$ 156,204	\$ 126,335	\$ 395,281
Other operating revenue	3	-	2,350	2,353
TOTAL OPERATING REVENUES	112,745	156,204	128,685	397,634
OPERATING EXPENSES:				
Personnel services	32,755	42,152	18,926	93,833
Supplies	-	-	-	-
Other services and charges	48,397	32,597	81,474	162,468
Depreciation	74,333	25,585	-	99,918
Capital outlay	-	6,391	-	6,391
TOTAL OPERATING EXPENSES	155,485	106,725	100,400	362,610
OPERATING INCOME (LOSS)	(42,740)	49,479	28,285	35,024
NON-OPERATING REVENUES (EXPENSES):				
Investment income	66	319	56	441
Interest expense	(8,250)	(607)	-	(8,857)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(8,184)	(288)	56	(8,416)
INCOME (LOSS) BEFORE TRANSFERS	(50,924)	49,191	28,341	26,608
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN NET ASSETS	(50,924)	49,191	28,341	26,608
Net assets, beginning of year	862,663	796,130	51,921	1,710,714
NET ASSETS, END OF YEAR	\$ 811,739	\$ 845,321	\$ 80,262	\$ 1,737,322

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended March 31, 2012

	Business -Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 116,928	\$ 153,895	\$ 126,603	\$ 397,426
Other operating revenues	3	-	2,350	2,353
Cash payments to employees for services	(33,101)	(42,061)	(18,505)	(93,667)
Cash payments to suppliers for goods and services	(48,397)	(38,987)	(85,056)	(172,440)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>35,433</u>	<u>72,847</u>	<u>25,392</u>	<u>133,672</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers in/(out)	-	-	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:				
Cash payments for capital assets	(32,402)	-	(16,620)	(49,022)
(Increase) decrease in due (to)/from other funds	22,184	6,787	(14,522)	14,449
Increase (decrease) in bonds payable	(20,000)	(22,139)	-	(42,139)
Interest payments	(8,250)	(607)	-	(8,857)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(38,468)</u>	<u>(15,959)</u>	<u>(31,142)</u>	<u>(85,569)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	66	319	56	441
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>66</u>	<u>319</u>	<u>56</u>	<u>441</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,969)</u>	<u>57,207</u>	<u>(5,694)</u>	<u>48,544</u>
Cash and cash equivalents, beginning of year	18,568	77,302	25,590	121,460
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,599</u>	<u>\$ 134,509</u>	<u>\$ 19,896</u>	<u>\$ 170,004</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (42,740)	\$ 49,479	\$ 28,285	\$ 35,024
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	74,333	25,585	-	99,918
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	4,186	(2,309)	268	2,145
Increase (decrease) in accrued accounts payable	-	-	(3,582)	(3,582)
Increase (decrease) in accrued wages payable	(346)	92	421	167
NET ADJUSTMENTS	<u>78,173</u>	<u>23,368</u>	<u>(2,893)</u>	<u>98,648</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 35,433</u>	<u>\$ 72,847</u>	<u>\$ 25,392</u>	<u>\$ 133,672</u>

The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2012

	<u>Agency Funds</u> <u>Tax Collection Fund</u>
ASSETS:	
Cash and equivalents	\$ 434,680
TOTAL ASSETS	<u>\$ 434,680</u>
LIABILITIES:	
Due to other funds	\$ 434,680
Due to other units	-
TOTAL LIABILITIES	<u>\$ 434,680</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF REPUBLIC, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

March 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township of Republic, Michigan have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

REPORTING ENTITY

The Township of Republic, Michigan's financial statements present the Township of Republic, Michigan (the primary government). In evaluating the Township of Republic, Michigan as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township of Republic, Michigan may or may not be financially accountable and, as such, be includable within the Township of Republic, Michigan's financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Township of Republic, Michigan's basic financial statements include both government-wide (reporting the Township of Republic, Michigan as a whole) and fund financial statements (reporting the Township of Republic, Michigan's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township of Republic, Michigan's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Water System, Sewer System, and Solid Waste Collection are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township of Republic, Michigan first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township of Republic, Michigan's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township of Republic, Michigan as an entity and the change in the Township of Republic, Michigan's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township of Republic, Michigan are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township of Republic, Michigan:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with ongoing operations.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township of Republic, Michigan programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Road Fund** accounts for the activity related to road improvement.
- The **Tax Increment Financing District** accounts for the activity related to the Tax Increment Financing activities.
- The **Debt Service Fund** accounts for the activity related to the payment of EMS Building Bond payments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Township of Republic, Michigan reports the following major proprietary funds:

- The **Sewer Fund** accounts for the management of wastewater treatment services, including billing, maintenance and construction.
- The **Water Fund** accounts for the management of water services, including billing, maintenance and construction.
- The **Solid Waste Fund** accounts for the management of refuse collection, including billing, maintenance and construction.

The Township of Republic, Michigan's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township of Republic, Michigan, and these funds are not incorporated into the government-wide statements.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township of Republic, Michigan follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Township Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals:
 - a) Are the transfers consistent with the intent of the Township Board of Trustees in adopting the annual budget?
 - b) Will the transfer maintain the financial integrity of the Township?
 - c) Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Township Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments – For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Republic, Michigan as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of March 31, 2012, the Township of Republic, Michigan’s cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$137,504	\$170,004	\$434,680	\$742,188
Investments	-	-	-	-
	<u>\$137,504</u>	<u>\$170,004</u>	<u>\$434,680</u>	<u>\$742,188</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township of Republic, Michigan’s deposits may not be returned to it. State law does not require and the Township of Republic, Michigan does not have a deposit policy for custodial credit risk. The carrying amounts of the Township of Republic, Michigan’s deposits with financial institutions were \$742,188 and the bank balance was \$759,438. The bank balance is categorized as follows:

Amount insured by the FDIC	\$266,166
Amount uncollateralized and uninsured	493,272
	<u>\$759,438</u>

Investments

As of March 31, 2012, the Township of Republic, Michigan did not have any investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township of Republic, Michigan’s investments. The Township of Republic, Michigan does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township of Republic, Michigan to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of

NOTE B – DEPOSITS AND INVESTMENTS (Continued):

deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township of Republic, Michigan has no investment policy that would further limit its investment choices. Ratings are not required for the Township of Republic Michigan's investment in U.S. Government Agencies or equity-type funds. The Township of Republic, Michigan's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Township of Republic, Michigan places no limit on the amount the Township of Republic, Michigan may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE C – RECEIVABLES:

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

	General Fund	Road Fund	Debt Service Fund	Sewer Fund	Water Fund	Solid Waste Fund	Total
Taxes Receivable	\$31,932	\$4,921	\$7,014	\$3,493	\$3,388	\$3,530	\$54,278
Due from other Governmental Units	18,359	-	-	-	-	-	18,359
Utility Billings	-	-	-	13,173	16,897	4,444	34,514
Totals	\$50,291	\$4,921	\$7,014	\$16,666	\$20,285	\$7,974	\$107,151

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

Township of Republic, Michigan reports Interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of Interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in Interfund receivables and payables are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS						Total Due From Other Funds
	General Fund	TIF Fund	Debt Service Fund	Water Fund	Sewer Fund	Tax Collection Fund	
	General Fund	\$-	\$5,432	\$199	\$20,539	\$10,525	
Road Fund	1,388	-	-	-	-	46,759	48,147
TIF Fund	-	-	-	-	-	4,517	4,517
Debt Service Fund	-	-	-	-	-	66,650	66,650
Sewer Fund	-	-	-	-	-	2,774	2,774
Solid Waste Fund	32,808	-	-	-	-	3,478	36,286
Total Due To Other Funds	\$34,196	\$5,432	\$199	\$20,539	\$10,525	\$434,680	\$505,571

NOTE D – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued):

All balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	TRANSFERS OUT TO OTHER FUNDS	
	General Fund	Total Transfers In From Other Funds
Debt Service Fund	\$ -	\$-
Total Transfers Out To Other Funds	\$ -	\$ -

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended March 31, 2012 is as follows:

	Balance at April 1, 2011	Additions	Disposals	Balance at March 31, 2012
GOVERNMENTAL ACTIVITIES:				
Land	\$17,000	\$-	\$-	\$17,000
Total Capital Assets, not being depreciated	17,000	-	-	17,000
Buildings and improvements	958,273	-	-	958,273
Furniture and equipment	974,250	-	-	974,250
Total Capital Assets, being depreciated	1,932,523	-	-	1,932,523
Less Accumulated Depreciation:				
Building and improvements	(690,880)	(9,982)	-	(700,862)
Furniture and equipment	(874,353)	(43,324)	-	(917,677)
Total Accumulated Depreciation	(1,565,233)	(53,306)	-	(1,618,539)
Net Capital Assets, being depreciated	367,290	(53,306)	-	313,984
Governmental Activities Capital Asset, Net of Depreciation	\$384,290	\$(53,306)	\$-	\$330,984

NOTE E – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Unallocated Depreciation	<u>\$53,306</u>
Total Governmental Activities	<u>\$53,306</u>

A summary of the changes in business-type activities capital assets for the year ended March 31, 2012 is as follows:

	Balance at April 1, 2011	Additions	Disposals	Balance at March 31, 2012
BUSINESS TYPE ACTIVITIES:				
Land	\$49,000	\$-	\$-	\$49,000
Total Capital Assets, not being depreciated	<u>49,000</u>	<u>-</u>	<u>-</u>	<u>49,000</u>
Building/System and improvements	3,996,690	32,402	-	4,029,092
Equipment	20,000	16,620	-	36,620
Total Capital Assets, being depreciated	<u>4,016,690</u>	<u>49,022</u>	<u>-</u>	<u>4,065,712</u>
Less Accumulated Depreciation:				
Buildings/System and improvements	(2,333,368)	(99,918)	-	(2,433,286)
Equipment	(20,000)	-	-	(20,000)
Total Accumulated Depreciation	<u>(2,353,368)</u>	<u>(99,918)</u>	<u>-</u>	<u>(2,453,286)</u>
Net Capital Assets, being depreciated	<u>1,663,322</u>	<u>(50,896)</u>	<u>-</u>	<u>1,612,426</u>
Business-Type Activities Capital Asset Total, Net of Depreciation	<u>\$1,712,322</u>	<u>\$(50,896)</u>	<u>\$-</u>	<u>\$1,661,426</u>

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

Business-Type Activities:	
Sewer Fund	\$74,333
Water Fund	25,585
Solid Waste Fund	-
Total Business-Type Activities	<u>\$99,918</u>

NOTE F – LONG-TERM DEBT:

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time of debt service payments are due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTE F – LONG-TERM DEBT (Continued):

A summary of long-term obligations at March 31, 2012 and transactions related thereto for the year then ended is as follows:

	April 1, 2011	Additions	Reductions	March 31, 2012	Due Within One Year
Governmental Activities:					
EMS Building	\$652,000	\$-	\$154,820	\$497,180	\$18,000
Total Governmental Activities	652,000	-	154,820	497,180	18,000
Business-Type Activities:					
Sewer Revenue Bond	145,000	-	10,000	135,000	10,000
Sewer Special Assessment Bond	20,000	-	10,000	10,000	10,000
Water Tank Loan	22,139	-	22,139	-	-
Total Business-Type Activities	187,139	-	42,139	145,000	20,000
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	\$839,139	\$-	\$196,959	\$642,180	\$38,000

Individual bond and contractual obligation activity can be summarized as follows:

EMS Building – Bond

	April 1		October 1	Total
	Principal	Interest	Interest	
2012-2013	\$18,000	\$11,497	\$11,081	\$40,578
2013-2014	19,000	11,081	10,642	40,723
2014-2015	20,000	10,642	10,179	40,821
2015-2016	22,000	10,179	9,670	41,849
2016-2017	22,000	9,670	9,162	40,832
2017-2022	130,000	40,028	37,021	207,049
2022-2027	155,000	23,839	20,255	199,094
2027-2031	111,180	5,382	2,811	119,373
TOTALS	\$497,180	\$122,318	\$110,821	\$730,319

The Bond was originally issued for \$800,000 on April 1, 2003. Bond Payments are due semi-annually, on April 1 (principal plus interest) and on October 1 (interest), with an interest rate of 5.00%.

Sewer Revenue – Revenue Bond

	September 1	March 1		Total
	Interest	Principal	Interest	
2012-2013	\$3,375	\$10,000	\$3,375	\$16,750
2013-2014	3,125	15,000	3,125	21,250
2014-2015	2,750	15,000	2,750	20,500
2015-2016	2,375	15,000	2,375	19,750
2016-2017	2,000	15,000	2,000	19,000
2017-2021	4,250	65,000	4,250	73,500
TOTALS	\$17,875	\$135,000	\$17,875	\$170,750

The Bond was originally issued for \$350,000 on August 12, 1986. Bond Payments are due semi-annually, on September 1 (interest) and on March 1 (principal and interest), with an interest rate of 5.00%.

NOTE F – LONG-TERM DEBT (Continued):

Sewer – Special Assessment

	September 1	March 1		Total
	Interest	Principal	Interest	
2012-2013	\$250	\$10,000	\$250	\$10,500
TOTALS	\$250	\$10,000	\$250	\$10,500

The Bond was originally issued for \$165,000 on August 12, 1986. Bond Payments are due semi-annually, on September 1 (interest) and on March 1 (principal and interest), with an interest rate of 5.00%.

Annual maturities on long-term debt are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012-2013	\$18,000	\$22,578	\$40,578	\$20,000	\$7,250	\$27,250
2013-2014	19,000	21,723	40,723	15,000	6,250	21,250
2014-2015	20,000	20,821	40,821	15,000	5,500	20,500
2015-2016	22,000	19,849	41,849	15,000	4,750	19,750
2016-2017	22,000	18,832	40,832	15,000	4,000	19,000
2017-2022	130,000	77,049	207,049	65,000	8,500	73,500
2022-2027	155,000	44,094	199,094	-	-	-
2027-2031	111,180	8,193	119,373	-	-	-
Totals	\$497,180	\$233,139	\$730,319	\$145,000	\$36,250	\$181,250

NOTE G – FUND BALANCES – GOVERNMENTAL FUNDS:

As of March 31, 2012, fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Township's adopted policy, only the Superintendent or the Board of Trustees may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

NOTE G – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

As of March 31, 2012, fund balances are composed of the following:

	General Fund	Road Fund	Tax Increment Financing District Fund	Debt Service Fund	Total Governmental Funds
Non-spendable	\$-	\$-	\$-	\$-	\$-
Restricted:					
Road	-	87,332	-	-	87,332
Debt Service	-	-	-	74,014	74,014
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	459,548	-	(915)	-	458,633
Total fund balances	\$459,548	\$87,332	\$(915)	\$74,014	\$619,979

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE H – PROPERTY TAXES:

The Township of Republic, Michigan property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Republic, Michigan as of the preceding December 31st.

Although the Township of Republic, Michigan 2011 ad valorem tax is levied and collectible on December 1, 2011, it is the Township of Republic, Michigan’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 taxable valuation of the Township of Republic, Michigan totaled \$51,922,269, on which ad valorem taxes levied consisted of 6.0965 mills for the Township of Republic, Michigan operation purposes, 0.9880 mill for Road Services, and 1.4082 mills for EMS Building bond debt. These amounts are recognized in the respective fund financial statements as revenue.

NOTE I – CONTINGENT LIABILITIES:

Risk Management – The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE J – JOINT VENTURE:

Marquette County Solid Waste Management Authority

In February 1990, the Township of Richmond joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's share of assets, liabilities, and fund equity is approximately 10 percent. Summary financial information as of and for the fiscal year ended June 30, 2011 is as follows:

Total Assets	\$ 12,505,451
Total Liabilities	1,592,129
Total Net Assets	10,913,322
Total Operating Revenues	2,360,230
Total Operating Expenditures	2,800,711
Net Operating Income (Loss)	(440,481)
Other Income(Expenditures)	139,416
Net Income (Loss)	(301,065)

NOTE K – BUDGETARY NON-COMPLIANCE:

Public Act 621 of 1978, Section 18(1), as amended, provides that a Township of Republic, Michigan shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Republic, Michigan's actual expenditures and budgeted expenditures have been shown on an activity and/or program level.

The following activity and/or programs had excess expenditures over appropriations at March 31, 2012:

	Final Budget	Actual	Unfavorable Variance
General Fund:			
General Services and Administration:			
Supervisor	\$4,320	\$60,079	\$1,759
Board of Review	800	933	133
Treasurer	18,368	30,248	11,080
Assessor	25,000	35,079	10,079
Elections	1,000	4,189	3,189
Townhall and Grounds	49,900	59,998	10,098
Cemetery	4,100	9,654	5,554

NOTE K – BUDGETARY NON-COMPLIANCE (Continued):

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Public Safety:			
Ordinance Enforcement	\$1,300	\$1,685	\$385
Fire Department	30,050	37,605	7,555
ID System	435	901	466
Public Works:			
Street lighting	18,000	21,361	3,361
Recreation and Culture:			
Parks and Recreation	19,830	37,701	17,871
Special Revenue Funds:			
TIF Fund:			
Tax Increment Finance Authority	-	168	168

NOTE L – FUND EQUITY DEFICIT BALANCES:

At March 31, 2012 the following fund had an unrestricted fund equity deficit:

<u>Fund</u>	<u>Deficit Fund Equity</u>
Government-Type Activities:	
Tax Increment Financing District Fund	\$915

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

Township of Republic, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2012

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 377,100	\$ 377,100	\$ 353,691	\$ (23,409)
Licenses and Permits	1,000	1,000	1,630	630
State Sources	70,600	70,600	75,292	4,692
Charges for Services	11,450	11,450	15,911	4,461
Interest	3,700	3,700	22,379	18,679
Other Revenues	24,000	24,000	8,945	(15,055)
TOTAL REVENUES	487,850	487,850	477,848	(10,002)
EXPENDITURES:				
Legislative	85,830	85,830	80,651	5,179
General Services and Administration	136,984	136,984	163,167	(26,183)
Public Safety	31,785	31,785	40,191	(8,406)
Public Works	119,570	119,570	98,118	21,452
Community and Economic Development	9,180	9,180	7,253	1,927
Health & Welfare	21,600	21,600	20,484	1,116
Recreation and Culture	21,830	21,830	38,538	(16,708)
Other	18,850	18,850	11,184	7,666
TOTAL EXPENDITURES	445,629	445,629	459,586	(13,957)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	42,221	42,221	18,262	(23,959)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	42,221	42,221	18,262	(23,959)
Fund balance, beginning of year	441,286	441,286	441,286	-
FUND BALANCE, END OF YEAR	\$ 483,507	\$ 483,507	\$ 459,548	\$ (23,959)

Township of Republic, Michigan

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ -	\$ -	\$ 52,431	\$ 52,431
State Sources	-	-	5,007	5,007
Charges for Services	-	-	-	-
Interest	-	-	98	98
Other Revenues	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>57,536</u>	<u>57,536</u>
EXPENDITURES:				
Legislative	-	-	-	-
General Services and Administration	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community and Economic Development	-	-	-	-
Health & Welfare	-	-	-	-
Recreation and Culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>57,536</u>	<u>57,536</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>57,536</u>	<u>57,536</u>
Fund balance, beginning of year	<u>29,796</u>	<u>29,796</u>	<u>29,796</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 29,796</u></u>	<u><u>\$ 29,796</u></u>	<u><u>\$ 87,332</u></u>	<u><u>\$ 57,536</u></u>

Township of Republic, Michigan

TAX INCREMENT FINANCING DISTRICT FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ -	\$ -	\$ 4,517	\$ 4,517
State Sources	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	-	-
Other Revenues	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>4,517</u>	<u>4,517</u>
EXPENDITURES:				
Legislative	-	-	-	-
General Services and Administration	-	-	168	(168)
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community and Economic Development	-	-	-	-
Health & Welfare	-	-	-	-
Recreation and Culture	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>168</u>	<u>(168)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,349</u>	<u>4,349</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>4,349</u>	<u>4,349</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>(5,264)</u>	<u>(5,264)</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (915)</u>	<u>\$ (915)</u>

OTHER SUPPLEMENTAL INFORMATION

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 276,000	\$ 314,301	\$ 38,301
Commercial forest	73,000	9,265	(63,735)
Swamp tax	2,000	1,502	(498)
Administration fees	22,200	24,670	2,470
Payment in lieu of taxes	3,900	3,953	53
Total Taxes	377,100	353,691	(23,409)
Licenses and Permits:			
General variances	1,000	1,630	630
Total Licenses and Permits	1,000	1,630	630
State Sources:			
State revenue sharing	70,600	75,292	4,692
Total State Sources	70,600	75,292	4,692
Charges for Services:			
Ambulance	7,000	10,875	3,875
Fire	1,400	1,400	-
Cemetery	3,000	3,302	302
Other	50	334	284
Total Charges for Services	11,450	15,911	4,461
Interest and Rentals:			
Interest income	2,700	1,639	(1,061)
Rental income	1,000	20,740	19,740
Total Interest and Rentals	3,700	22,379	18,679
Other Revenues:			
Reimbursements	-	-	-
Sale of fixed assets	-	-	-
Miscellaneous	24,000	8,945	(15,055)
Total Other Revenues	24,000	8,945	(15,055)
TOTAL REVENUES	487,850	477,848	(10,002)
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	4,305	3,565	740
Supplies	-	-	-
Other services and charges	81,525	77,086	4,439
TOTAL LEGISLATIVE	85,830	80,651	5,179

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	\$ 4,320	\$ 6,079	\$ (1,759)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	<u>4,320</u>	<u>6,079</u>	<u>(1,759)</u>
Clerk:			
Personnel services	15,128	15,092	36
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	<u>15,128</u>	<u>15,092</u>	<u>36</u>
Board of Review:			
Personnel services	700	683	17
Supplies	-	-	-
Other services and charges	100	250	(150)
Total Board of Review	<u>800</u>	<u>933</u>	<u>(133)</u>
Treasurer:			
Personnel services	13,128	13,750	(622)
Supplies	5,240	16,498	(11,258)
Other services and charges	-	-	-
Total Treasurer	<u>18,368</u>	<u>30,248</u>	<u>(11,880)</u>
SET Administration:			
Personnel services	13,128	1,895	11,233
Supplies	-	-	-
Other services and charges	5,240	-	5,240
Total SET Administration	<u>18,368</u>	<u>1,895</u>	<u>16,473</u>
Assessor:			
Personnel services	12,000	21,517	(9,517)
Supplies	-	-	-
Other services and charges	13,000	13,562	(562)
Total Assessor	<u>25,000</u>	<u>35,079</u>	<u>(10,079)</u>
Elections:			
Personnel services	460	1,953	(1,493)
Supplies	-	-	-
Other services and charges	540	2,236	(1,696)
Total Elections	<u>1,000</u>	<u>4,189</u>	<u>(3,189)</u>

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Townhall and Grounds:			
Personnel services	\$ 2,000	\$ 16,954	\$ (14,954)
Supplies	-	-	-
Other services and charges	47,900	43,044	4,856
Total Townhall and Grounds	49,900	59,998	(10,098)
Cemetery:			
Personnel services	225	7,121	(6,896)
Supplies	-	-	-
Other services and charges	3,875	2,533	1,342
Total Cemetery	4,100	9,654	(5,554)
TOTAL GENERAL SERVICES AND ADMINISTRATION	136,984	163,167	(26,183)
PUBLIC SAFETY:			
Ordinance Enforcement:			
Personnel services	200	1,685	(1,485)
Supplies	-	-	-
Other services and charges	1,100	-	1,100
Total Ordinance Enforcement	1,300	1,685	(385)
Fire:			
Personnel services	1,150	1,187	(37)
Supplies	-	-	-
Other services and charges	28,900	36,418	(7,518)
Total Fire	30,050	37,605	(7,555)
ID System:			
Personnel services	-	668	(668)
Supplies	435	233	202
Other services and charges	-	-	-
Total ID System	435	901	(466)
TOTAL PUBLIC SAFETY	31,785	40,191	(8,406)
PUBLIC WORKS:			
Department of Public Works:			
Personnel services	77,870	49,250	28,620
Supplies	-	-	-
Other services and charges	23,700	26,777	(3,077)
Capital outlay	-	730	(730)
Total Department of Public Works	101,570	76,757	24,813

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Vehicle and Equipment:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	-	-	-
Total Vehicle and Equipment	<u>-</u>	<u>-</u>	<u>-</u>
Street Lighting:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	18,000	21,361	(3,361)
Total Street Lighting	<u>18,000</u>	<u>21,361</u>	<u>(3,361)</u>
TOTAL PUBLIC WORKS	<u>119,570</u>	<u>98,118</u>	<u>21,452</u>
HEALTH AND WELFARE:			
Ambulance:			
Personnel services	5,600	3,291	2,309
Supplies	-	-	-
Other services and charges	16,000	17,193	(1,193)
Total Ambulance	<u>21,600</u>	<u>20,484</u>	<u>1,116</u>
TOTAL HEALTH AND WELFARE	<u>21,600</u>	<u>20,484</u>	<u>1,116</u>
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Planning and Zoning Commission:			
Personnel services	3,200	5,170	(1,970)
Supplies	-	-	-
Other services and charges	5,980	2,083	3,897
Total Planning and Zoning Commission	<u>9,180</u>	<u>7,253</u>	<u>1,927</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>9,180</u>	<u>7,253</u>	<u>1,927</u>
RECREATION AND CULTURE:			
Community Programs:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Total Community Programs	<u>-</u>	<u>-</u>	<u>-</u>
Parks & Recreation:			
Personnel services	7,405	10,790	(3,385)
Supplies	-	-	-
Other services and charges	12,425	26,911	(14,486)
Total Recreation	<u>19,830</u>	<u>37,701</u>	<u>(17,871)</u>

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Youth Community Center:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	2,000	837	1,163
Total Youth Community Center	2,000	837	1,163
 TOTAL RECREATION AND CULTURE	 21,830	 38,538	 (16,708)
 OTHER FUNCTIONS:			
Other charges for services	18,850	11,184	7,666
Miscellaneous	-	-	-
 TOTAL OTHER FUNCTIONS	 18,850	 11,184	 7,666
 TOTAL EXPENDITURES	 445,629	 459,586	 (13,957)
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 42,221	 18,262	 (23,959)
 OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
 TOTAL OTHER FINANCING SOURCES (USES)	 -	 -	 -
 CHANGE IN FUND BALANCE	 42,221	 18,262	 (23,959)
 Fund balance, beginning of year	 441,286	 441,286	 -
 FUND BALANCE, END OF YEAR	 \$ 483,507	 \$ 459,548	 \$ (23,959)

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:			
Taxes:			
Current levy	\$ -	\$ 52,431	\$ 52,431
Total Taxes	<u>-</u>	<u>52,431</u>	<u>52,431</u>
State Sources:			
Metro act	-	5,007	5,007
Total State Sources	<u>-</u>	<u>5,007</u>	<u>5,007</u>
Interest & Rentals:			
Interest income	-	98	98
Total Interest	<u>-</u>	<u>98</u>	<u>98</u>
Other Revenues:			
Miscellaneous	-	-	-
Total Other Revenues	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>57,536</u>	<u>57,536</u>
EXPENDITURES:			
PUBLIC WORKS:			
Department of Public Works:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	-	-
Total Department of Public Works	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>57,536</u>	<u>57,536</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>57,536</u>	<u>57,536</u>
Fund balance, beginning of year	29,796	29,796	-
FUND BALANCE, END OF YEAR	<u>\$ 29,796</u>	<u>\$ 87,332</u>	<u>\$ 57,536</u>

Township of Republic, Michigan

MAJOR GOVERNMENTAL FUNDS
TAX INCREMENT FINANCING DISTRICT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended March 31, 2012

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Taxes:			
Current levy	\$ -	\$ 4,517	\$ 4,517
Total Taxes	<u>-</u>	<u>4,517</u>	<u>4,517</u>
Interest & Rentals:			
Interest income	-	-	-
Total Interest	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues:			
Miscellaneous	-	-	-
Total Other Revenues	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>4,517</u>	<u>4,517</u>
EXPENDITURES:			
GENERAL GOVERNMENT:			
Tax Increment Finance Authority:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	168	(168)
Capital outlay	-	-	-
Total Tax Increment Finance Authority	<u>-</u>	<u>168</u>	<u>(168)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>168</u>	<u>(168)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>4,349</u>	<u>4,349</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>-</u>	<u>4,349</u>	<u>4,349</u>
Fund balance, beginning of year	<u>(5,264)</u>	<u>(5,264)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ (5,264)</u></u>	<u><u>\$ (915)</u></u>	<u><u>\$ 4,349</u></u>

COMPLIANCE SUPPLEMENTS



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102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

Michael A. Grentz, CPA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Supervisor and Township Board of Trustees
The Board of Trustees of the
Township of Republic, Michigan
Republic, Michigan 49879

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan, as of and for the year ended March 31, 2012, which collectively comprise the Township of Republic, Michigan's basic financial statements and have issued our report thereon dated September 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Township of Republic, Michigan, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township of Republic, Michigan'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 Township of Republic, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Republic, Michigan's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Report to Management Letter that we consider to be significant deficiencies in internal control over financial reporting as items 2012-01 through 2012-02. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Republic, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management Letter as items 2012-03 through 2012-04.

The Township of Republic, Michigan's response to the findings identified in our audit is described in the accompanying report to management. We did not audit the Township of Republic, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 9, 2012

COMMUNICATIONS SECTION



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PARTNERS

John W. Blemberg, CPA

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William C. Sheltrow, CPA

Township of Republic, Michigan
Report to Management Letter
For the Year Ended March 31, 2012

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan 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 the Township of Republic, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Republic, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Republic, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as 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 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 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 the Township of Republic, Michigan's internal control to be significant deficiencies:

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
Republic, Michigan 49879

2012-01 – SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. The Township Clerk and Treasurer each have responsibility for more than one of the three components of internal control.

Cause of Condition: The size of the organization's accounting staff precludes certain internal design controls that would be preferred if the office staffs were large enough to provide optimum segregation of duties.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Recommendation: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. We recommend that the Board continue to closely review the financial statements and all payments on a monthly basis.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Gary Johnson, Supervisor

- Corrective Action Planned:
 - The Board of Trustees closely monitors all payments and reviews the financial statements on a monthly basis.

- Anticipated Date of Completion:
 - Not applicable.

2012-02 – ASSIST IN PREPARING FINANCIAL STATEMENTS & FOOTNOTES (REPEAT)

Condition/Criteria: Statement on Auditing Standards #115 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Cause of Condition: The staff of the Township did not have adequate staffing to prepare all the information included in the annual financial statements.

Effect: We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with generally accepted accounting principles.

Recommendation: We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

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the Township Board of Trustees
Township of Republic, Michigan
Republic, Michigan 49879

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Gary Johnson, Supervisor
- Corrective Action Planned:
 - Management concurs.
- Anticipated Date of Completion:
 - Not applicable.

INSTANCE OF NON-COMPLIANCE

2012-03 – UNIFORM BUDGETING AND ACCOUNTING ACT (PA621) (REPEAT)

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Republic, Michigan had actual expenditures and budgeted expenditures for the Governmental Funds have been shown on a functional basis. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2012, the Township of Republic, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The Township of Republic, Michigan is not in compliance with State law.

Recommendation: The Township of Republic, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Gary Johnson, Supervisor
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Date of Completion:
 - March 31, 2013

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
Republic, Michigan 49879

2012-04 – DEFICIT FUND BALANCE:

Condition/Criteria: At March 31, 2012 the Township of Republic, Michigan had an unrestricted equity deficit in their TIF fund. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the Township of Republic, Michigan has not filed such a plan.

Effect: The Township of Republic, Michigan is not in compliance with State Law.

Cause of Condition: This is due to expenditures being incurred to set up the Tax Increment Financing District Fund before property tax revenue is collected.

Recommendation: This issue will resolve itself by March 31, 2013. Therefore, we recommend filing their corrective action plan with the State.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Gary Johnson, Supervisor

- Corrective Action Planned:
 - Waiting for Property Tax Revenue to catch up with expenditures.

- Anticipated Completion Date:
 - March 31, 2013

The Township of Republic, Michigan's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson, Jackman & Company, PLLC
Certified Public Accountants

September 9, 2012



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Township of Republic, Michigan
Communication with Those Charged with Governance
For the Year Ended March 31, 2012

September 9, 2012

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
P.O. Box 338
Republic, Michigan 49879

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Republic, Michigan for the year ended March 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 June 18, 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 Township of Republic, Michigan are described in the footnotes to the financial statements. As described in Note G to the financial statements, the Township of Republic, Michigan changed accounting policies related to governmental funds fund balance designations by adopting Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 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. 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 of Republic, Michigan's financial statements was:

Honorable Supervisor and Members of
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Township of Republic, Michigan
Palmer, Michigan 49871

Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures 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 each opinion unit's financial statements taken as a whole. The following is a summarized list of entries that were made as part of the audit:

- To re-separate the funds and bring them back into balance.
- To reconcile the beginning equity to agree with the prior year off-year review.
- To record accounts receivable.
- To record accounts payable.
- To record accrued wages.
- To reverse out double posting of numerous transactions.
- Recording fixed assets activity.
- Recording of general long term debt activity.
- To remove cash accounts that did not exist, due from improper account reconciliations.
- To reclassify expenditures to proper accounts
- To reclassify revenue to proper accounts.
- To reclassify Interfund transactions to proper accounts.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 9, 2012.

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
Palmer, Michigan 49871

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Report to Management Letter that we consider to be significant deficiencies in internal control over financial reporting as items 2012-01 through 2012-02. 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.

As part of obtaining reasonable assurance about whether the Township of Republic, Michigan’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Report to Management Letter as items 2012-03 through 2012-04.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the

Honorable Supervisor and Members of
the Township Board of Trustees
Township of Republic, Michigan
Palmer, Michigan 49871

underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

Anderson, Jackman & Company, PLLC
Certified Public Accountants