

**TOWNSHIP OF REPUBLIC, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2011**

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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. Sheltrow, 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, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, 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 November 17, 2011, 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 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, Jackman & Company, PLLC*  
Certified Public Accountants

November 17, 2011

## 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, 2011. 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 \$6,316 as a result of this year's operations. Net assets of our governmental activities increased by \$12,896, or 4 percent, and net assets of our business-type activities decreased by \$6,580, or 1 percent.
- During the year, the Township of Republic, Michigan had expenses for governmental activities that were \$635,810 which is \$12,896 less than the \$648,706 generated in general revenues and program sources.
- During the year, the Township of Republic, Michigan had expenses for business-type activities that were \$388,545 which is \$6,580 more than the \$381,965 generated in general revenues and program sources.
- The General Fund reported a net fund balance of \$441,286. The net change in fund balance of \$34,557 was \$28,254 higher than the budgeted increase of \$6,303.

#### **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*

## Township of Republic, Michigan

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

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 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’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’s net assets as of March 31, 2011 and 2009.

Table 1  
Statement of Net Assets

	2011			2009		
	Governmental Activities	Business- Type Activities	Total Primary Activities	Governmental Activities	Business- Type Activities	Total Primary Government
Current and Other Assets	\$673,428	\$190,975	\$864,403	\$504,866	\$87,578	\$592,444
Capital Assets, Net	384,290	1,712,322	2,096,612	448,178	1,863,155	2,311,333
Total Assets	1,057,718	1,903,297	2,961,015	953,044	1,950,733	2,903,777

## Township of Republic, Michigan

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

	2011			2009		
	Governmental Activities	Business- Type Activities	Total Primary Activities	Governmental Activities	Business- Type Activities	Total Primary Government
Current liabilities	\$42,125	\$28,360	\$70,485	\$22,184	\$22,636	\$44,820
Non-Current Liabilities	635,000	164,223	799,223	652,000	213,823	865,823
Total Liabilities	677,125	192,583	869,708	674,184	236,459	910,643
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	(267,710)	1,525,183	1,257,473	(223,204)	1,632,079	1,408,875
Restricted	-	-	-	-	-	-
Unrestricted	648,303	185,531	833,834	502,064	82,195	584,259
Total Net Assets	\$380,593	\$1,710,714	\$2,091,307	\$278,860	\$1,714,274	\$1,993,134

Net assets of the Township of Republic, Michigan's governmental activities stood at \$380,593. *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 \$648,303.

The \$648,303 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 \$1,710,714. The Township of Republic 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 2011 and 2009.

**Table 2**  
**Statement of Activities**

	2011			2009		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$15,890	\$381,635	\$397,525	\$18,459	\$351,452	\$369,911
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	471,075	-	471,075	374,054	-	374,054
State Sources	71,490	-	71,490	82,333	-	82,333
Interest and Miscellaneous	90,251	330	90,581	66,510	841	67,351
Total Revenues	648,706	381,965	1,030,671	541,356	352,293	893,649

## Township of Republic, Michigan

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

	2011			2009		
	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Program Expenses:</b>						
Legislative	\$66,609	\$-	\$66,609	\$48,977	\$-	\$48,977
General Services and administration	157,120	-	157,120	140,756	-	140,756
Public Safety	21,386	-	21,386	32,288	-	32,288
Public Works	246,193	-	246,193	138,250	-	138,250
Community and Economic Development	7,480	-	7,480	6,236	-	6,236
Health and Welfare	21,472	-	21,472	22,203	-	22,203
Recreation and Culture	36,020	-	36,020	13,472	-	13,472
Debt Service	15,078	-	15,078	28,567	-	28,567
Capital Outlay	-	-	-	15,527	-	15,527
Other Expense	11,147	-	11,147	-	-	-
Unallocated Depreciation	53,305	-	53,305	54,562	-	54,562
Sewer system	-	170,365	170,365	-	170,235	170,235
Water system	-	116,097	116,097	-	198,518	198,518
Solid waste disposal	-	102,083	102,083	-	116,496	116,496
<b>Total Expenses</b>	<b>635,810</b>	<b>388,545</b>	<b>1,024,355</b>	<b>500,838</b>	<b>485,249</b>	<b>986,087</b>
Excess (deficiency) before transfers	12,896	(6,580)	6,316	40,518	(132,956)	(92,438)
Transfers	-	-	-	(48,000)	48,000	-
<b>Increase (decrease) in net assets</b>	<b>12,896</b>	<b>(6,580)</b>	<b>6,316</b>	<b>(7,482)</b>	<b>(84,956)</b>	<b>(92,438)</b>
Net assets, beginning	367,697	1,717,294	2,084,991	286,342	1,799,230	2,085,572
<b>Net Assets, Ending</b>	<b>\$380,593</b>	<b>\$1,710,714</b>	<b>\$2,091,307</b>	<b>\$278,860</b>	<b>\$1,714,274</b>	<b>\$1,993,134</b>

The Township of Republic's total revenues were \$1,030,671. The total cost of all programs and services was \$1,024,355, leaving an increase in net assets of \$6,316. Our analysis below separately considers the operations of governmental and business-type activities:

#### **Governmental Activities**

The Governmental Activities experienced a decrease in net assets for the year of \$12,896. Key reasons for the change in net assets are as follows:

- Net increase in governmental fund balances of \$66,201
- Capital outlay reclassified to capital assets of \$0
- Depreciation charged to expenses of \$53,305
- Principle payments reclassified from expenses to liability \$0

#### **Business-type Activities**

The Business-Type Activities experienced a decrease in net assets for the year of \$6,580. Key reasons for the change in net assets are as follows:

- Sewer Fund decrease of \$58,771, which is resulting from not charging users enough to cover depreciation expense.
- Water Fund increase of \$22,063, which is resulting from charging users for the future water project.
- Solid Waste increase of \$30,128, which is resulting from revenue invoiced and received for past landfill user fees.

**Township of Republic, Michigan**

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

**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 gain for the year of \$66,201. The main reason for this increase was due to the Debt Service Fund having property tax revenue greater than the debt payments 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 \$119,737 less than the budgeted \$595,794. Expenditures were \$147,991 less than the budgeted \$589,491. The majority of the variance in revenues was from other income not received of \$110,395. The majority of the variance in expenditures was from other miscellaneous expense that was not spent in the amount of \$186,750.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2011 and 2010, the Township of Republic, Michigan had \$2,096,612 and \$2,200,834 invested in a variety of capital assets including land, construction in progress, buildings, and other equipment. (See Table 4 below)

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Totals
Land	\$17,000	\$49,000	\$66,000	\$17,000	\$-	\$17,000
Construction in progress	-	-	-	-	-	-
Buildings and improvements	267,393	-	267,393	277,375	-	277,375
Equipment and furnishings	99,897	-	99,897	143,220	-	143,220
Sewer System	-	974,971	974,971	-	1,049,304	1,049,304
Water System	-	688,351	688,351	-	713,935	713,935
Solid Waste	-	-	-	-	-	-
<b>Total</b>	<b>\$384,290</b>	<b>\$1,712,322</b>	<b>\$2,096,612</b>	<b>\$437,595</b>	<b>\$1,763,239</b>	<b>\$2,200,834</b>

There was one addition to capital assets during the current year for \$49,000 for the new water system land easement, paid from current savings. There were no deletions during the current year and depreciation expense of \$153,222 during 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 \$839,139 in outstanding debt as depicted in Table 5 below.

Table 5  
Outstanding Debt at Year-End

	2011			2009		
	Governmental Activities	Business- Type Activities	Total Primary Government	Governmental Activities	Business- Type Activities	Total Primary Government
EMS Building Bond	\$652,000	\$-	\$652,000	\$652,000	\$-	\$652,000
Sewer Revenue Bond	-	145,000	145,000	-	155,000	155,000
Special Assessment Bond	-	20,000	20,000	-	30,000	30,000
Water Tank Loan	-	22,139	22,139	-	26,473	26,473
<b>Total</b>	<b>\$652,000</b>	<b>\$187,139</b>	<b>\$839,139</b>	<b>\$652,000</b>	<b>\$211,473</b>	<b>\$863,473</b>

The Township of Republic, Michigan made principal payments of \$24,334 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 2012 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, 2011

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and equivalents	\$ 217,014	\$ 121,460	\$ 338,474
Accounts receivable, net	478,859	47,070	525,929
Inter-fund receivables and payables	(22,445)	22,445	-
<b>TOTAL CURRENT ASSETS</b>	<b>673,428</b>	<b>190,975</b>	<b>864,403</b>
Non-current assets:			
Land and construction in progress	17,000	49,000	66,000
Other capital assets	1,932,523	4,016,690	5,949,213
Accumulated depreciation	(1,565,233)	(2,353,368)	(3,918,601)
Total Capital Assets	384,290	1,712,322	2,096,612
<b>TOTAL NON-CURRENT ASSETS</b>	<b>384,290</b>	<b>1,712,322</b>	<b>2,096,612</b>
<b>TOTAL ASSETS</b>	<b>1,057,718</b>	<b>1,903,297</b>	<b>2,961,015</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	16,505	3,582	20,087
Wages payable	8,620	1,862	10,482
Current Maturities of bonds payable	17,000	22,916	39,916
<b>TOTAL CURRENT LIABILITIES</b>	<b>42,125</b>	<b>28,360</b>	<b>70,485</b>
Non-current Liabilities:			
Bonds payable	635,000	164,223	799,223
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>635,000</b>	<b>164,223</b>	<b>799,223</b>
<b>TOTAL LIABILITIES</b>	<b>677,125</b>	<b>192,583</b>	<b>869,708</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	(267,710)	1,525,183	1,257,473
Unrestricted	648,303	185,531	833,834
<b>TOTAL NET ASSETS</b>	<b>\$ 380,593</b>	<b>\$ 1,710,714</b>	<b>\$ 2,091,307</b>

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, 2011

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
Legislative	\$ 66,609	\$ -	\$ -	\$ -	\$ (66,609)	\$ -	\$ (66,609)
General Services and Administration	157,120	11,170	-	-	(145,950)	-	(145,950)
Public Safety	21,386	1,400	-	-	(19,986)	-	(19,986)
Public works	246,193	-	-	-	(246,193)	-	(246,193)
Community and Economic Development	7,480	-	-	-	(7,480)	-	(7,480)
Health and Welfare	21,472	3,320	-	-	(18,152)	-	(18,152)
Recreation and Culture	36,020	-	-	-	(36,020)	-	(36,020)
Debt Service	15,078	-	-	-	(15,078)	-	(15,078)
Capital Outlay	11,147	-	-	-	(11,147)	-	(11,147)
Unallocated Depreciation	53,305	-	-	-	(53,305)	-	(53,305)
Total Governmental Activities	635,810	15,890	-	-	(619,920)	-	(619,920)
Business Type Activities:							
Sewer	170,365	111,433	-	-	-	(58,932)	(58,932)
Water	116,097	138,071	-	-	-	21,974	21,974
Solid Waste	102,083	132,131	-	-	-	30,048	30,048
Total Business Type Activities	388,545	381,635	-	-	-	(6,910)	(6,910)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,024,355</b>	<b>\$ 397,525</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(619,920)</b>	<b>(6,910)</b>	<b>(626,830)</b>
General Revenues:							
					471,075	-	471,075
					71,490	-	71,490
					19,889	330	20,219
					70,362	-	70,362
					-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>632,816</b>	<b>330</b>	<b>633,146</b>
					<b>12,896</b>	<b>(6,580)</b>	<b>6,316</b>
Net assets, beginning of year, as restated					367,697	1,717,294	2,084,991
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 380,593</b>				<b>\$ 380,593</b>	<b>\$ 1,710,714</b>	<b>\$ 2,091,307</b>

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

Township of Republic, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2011

	General Fund	Road Fund	Tax Increment Financing District Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 105,235	\$ 195	\$ -	\$ 111,584	\$ 217,014
Receivables	50,627	5,308	-	7,590	63,525
Due from other funds	327,239	44,406	-	63,492	435,137
<b>TOTAL ASSETS</b>	<u>\$ 483,101</u>	<u>\$ 49,909</u>	<u>\$ -</u>	<u>\$ 182,666</u>	<u>\$ 715,676</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts Payable	\$ -	\$ 16,505	\$ -	\$ -	\$ 16,505
Accrued wages	8,620	-	-	-	8,620
Due to other funds	33,195	3,608	5,264	181	42,248
<b>TOTAL LIABILITIES</b>	<u>41,815</u>	<u>20,113</u>	<u>5,264</u>	<u>181</u>	<u>67,373</u>
<b>FUND BALANCE:</b>					
Unreserved, reported in:					
General Fund	441,286	-	-	-	441,286
Special Revenue Fund	-	29,796	(5,264)	-	24,532
Debt Service Fund	-	-	-	182,485	182,485
<b>TOTAL FUND BALANCE</b>	<u>441,286</u>	<u>29,796</u>	<u>(5,264)</u>	<u>182,485</u>	<u>648,303</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 483,101</u>	<u>\$ 49,909</u>	<u>\$ -</u>	<u>\$ 182,666</u>	<u>\$ 715,676</u>

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, 2011

**Total Fund Balances for Governmental Funds** **\$ 648,303**

*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>(1,565,233)</u>	384,290

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	(17,000)	
Long-term portion of bonds payable	<u>(635,000)</u>	<u>(652,000)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 380,593**

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, 2011

	General Fund	Road Fund	Tax Increment Financing District Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 350,278	\$ 49,714	\$ -	\$ 71,083	\$ 471,075
License and Permits	3,235	-	-	-	3,235
State Sources	71,490	-	-	-	71,490
Charges for Services	12,655	-	-	-	12,655
Interest and Rentals	19,184	169	-	536	19,889
Other Revenue	19,215	51,147	-	-	70,362
<b>TOTAL REVENUES</b>	<b>476,057</b>	<b>101,030</b>	<b>-</b>	<b>71,619</b>	<b>648,706</b>
<b>EXPENDITURES:</b>					
Current operations:					
Legislative	66,609	-	-	-	66,609
General Services and Administration	151,856	-	5,264	-	157,120
Public Safety	21,386	-	-	-	21,386
Public Works	125,530	120,663	-	-	246,193
Community and Economic Development	7,480	-	-	-	7,480
Health and Welfare	21,472	-	-	-	21,472
Recreation and Culture	36,020	-	-	-	36,020
Debt Service	-	-	-	15,078	15,078
Other	11,147	-	-	-	11,147
<b>TOTAL EXPENDITURES</b>	<b>441,500</b>	<b>120,663</b>	<b>5,264</b>	<b>15,078</b>	<b>582,505</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>34,557</b>	<b>(19,633)</b>	<b>(5,264)</b>	<b>56,541</b>	<b>66,201</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>34,557</b>	<b>(19,633)</b>	<b>(5,264)</b>	<b>56,541</b>	<b>66,201</b>
Fund balance, beginning of year	406,729	49,429	-	125,944	582,102
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 441,286</b>	<b>\$ 29,796</b>	<b>\$ (5,264)</b>	<b>\$ 182,485</b>	<b>\$ 648,303</b>

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, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$ 66,201

*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>(53,305)</u>	(53,305)

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>-</u>
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>			<u><u>\$ 12,896</u></u>
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The accompanying notes are an integral part of these financial statements.

Township of Republic, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2011

	Business - Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
<b>ASSETS:</b>				
Current Assets:				
Cash and equivalents	\$ 18,568	\$ 77,302	\$ 25,590	\$ 121,460
Accounts receivable, net	20,852	17,976	8,242	47,070
Due from other funds	14,433	-	21,764	36,197
<b>TOTAL CURRENT ASSETS</b>	<b>53,853</b>	<b>95,278</b>	<b>55,596</b>	<b>204,727</b>
Non-current Assets:				
Land	-	49,000	-	49,000
Capital assets	2,993,315	1,023,375	-	4,016,690
Accumulated depreciation	(2,018,344)	(335,024)	-	(2,353,368)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>974,971</b>	<b>737,351</b>	<b>-</b>	<b>1,712,322</b>
<b>TOTAL ASSETS</b>	<b>1,028,824</b>	<b>832,629</b>	<b>55,596</b>	<b>1,917,049</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	-	-	3,582	3,582
Wages payable	1,161	608	93	1,862
Due to other funds	-	13,752	-	13,752
Current portion of long-term debt	20,000	2,916	-	22,916
<b>TOTAL CURRENT LIABILITIES</b>	<b>21,161</b>	<b>17,276</b>	<b>3,675</b>	<b>42,112</b>
Non-current Liabilities:				
Bond payable	145,000	19,223	-	164,223
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>145,000</b>	<b>19,223</b>	<b>-</b>	<b>164,223</b>
<b>TOTAL LIABILITIES</b>	<b>166,161</b>	<b>36,499</b>	<b>3,675</b>	<b>206,335</b>
<b>NET ASSETS:</b>				
Invested in capital assets net of related debt	809,971	715,212	-	1,525,183
Restricted - debt service	-	-	-	-
Unrestricted	52,692	80,918	51,921	185,531
<b>TOTAL NET ASSETS</b>	<b>\$ 862,663</b>	<b>\$ 796,130</b>	<b>\$ 51,921</b>	<b>\$ 1,710,714</b>

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, 2011

	<b>Business - Type Activities Enterprise Funds</b>			<b>Total</b>
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Solid Waste Fund</b>	
<b>OPERATING REVENUES:</b>				
Charges for services (net)	\$ 111,433	\$ 138,071	\$ 132,131	\$ 381,635
Other operating revenue	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>111,433</b>	<b>138,071</b>	<b>132,131</b>	<b>381,635</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	26,240	35,324	20,343	81,907
Supplies	18,569	8,324	33,239	60,132
Other services and charges	41,973	45,414	48,501	135,888
Depreciation	74,333	25,584	-	99,917
Capital outlay	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>161,115</b>	<b>114,646</b>	<b>102,083</b>	<b>377,844</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(49,682)</b>	<b>23,425</b>	<b>30,048</b>	<b>3,791</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	161	89	80	330
Interest expense	(9,250)	(1,451)	-	(10,701)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(9,089)</b>	<b>(1,362)</b>	<b>80</b>	<b>(10,371)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(58,771)</b>	<b>22,063</b>	<b>30,128</b>	<b>(6,580)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(58,771)</b>	<b>22,063</b>	<b>30,128</b>	<b>(6,580)</b>
Net assets, beginning of year	921,434	774,067	21,793	1,717,294
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 862,663</b>	<b>\$ 796,130</b>	<b>\$ 51,921</b>	<b>\$ 1,710,714</b>

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, 2011

	Business -Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from fees and charges for services	\$ 120,387	\$ 138,869	\$ 128,866	\$ 388,122
Other operating revenues	-	-	-	-
Cash payments to employees for services	(25,645)	(35,504)	(20,751)	(81,900)
Cash payments to suppliers for goods and services	(60,542)	(53,738)	(81,523)	(195,803)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>34,200</u>	<u>49,627</u>	<u>26,592</u>	<u>110,419</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in/(out)	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Cash payments for capital assets	(1)	(49,000)	-	(49,001)
(Increase) decrease in due (to)/from other funds	(13,345)	13,752	(21,764)	(21,357)
Increase (decrease) in bonds payable	(15,000)	(4,334)	-	(19,334)
Interest payments	(9,250)	(1,451)	-	(10,701)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(37,596)</u>	<u>(41,033)</u>	<u>(21,764)</u>	<u>(100,393)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	161	89	80	330
<b>NET CASH PROVIDED (USED) INVESTING ACTIVITIES</b>	<u>161</u>	<u>89</u>	<u>80</u>	<u>330</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(3,235)</u>	<u>8,683</u>	<u>4,908</u>	<u>10,356</u>
Cash and cash equivalents, beginning of year	21,803	68,619	20,682	111,104
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 18,568</u>	<u>\$ 77,302</u>	<u>\$ 25,590</u>	<u>\$ 121,460</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (49,682)	\$ 23,425	\$ 30,048	\$ 3,791
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	74,333	25,584	-	99,917
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	8,954	798	(3,265)	6,487
Increase (decrease) in accrued accounts payable	-	-	217	217
Increase (decrease) in accrued wages payable	595	(180)	(408)	7
<b>NET ADJUSTMENTS</b>	<u>83,882</u>	<u>26,202</u>	<u>(3,456)</u>	<u>106,628</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 34,200</u>	<u>\$ 49,627</u>	<u>\$ 26,592</u>	<u>\$ 110,419</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, 2011

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and equivalents	\$ 415,334
<b>TOTAL ASSETS</b>	<u>\$ 415,334</u>
<b>LIABILITIES:</b>	
Due to other funds	\$ 415,334
Due to other units	-
<b>TOTAL LIABILITIES</b>	<u>\$ 415,334</u>

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

TOWNSHIP OF REPUBLIC, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

March 31, 2011

**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.

**(1) 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.

**(2) 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, Wastewater Treatment 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.

### (3) 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 System Fund** accounts for the management of wastewater treatment services, including billing, maintenance and construction.
- The **Water System 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.

### **(4) 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.

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

### **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 of Republic, Michigan Supervisor submits to the Township of Republic, Michigan 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.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township of Republic, Michigan 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 of Republic, Michigan 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 of Republic, Michigan 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 of Republic, Michigan 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 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 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.

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

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

- f. The Township of Republic, Michigan 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 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.
- 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 of Republic, Michigan 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 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

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

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.

**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, 2011, 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	\$217,014	\$121,460	\$415,334	\$753,808
Investments	-	-	-	-
	<u>\$217,014</u>	<u>\$121,460</u>	<u>\$415,334</u>	<u>\$753,808</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 \$753,808 and the bank balance was \$768,843. The bank balance is categorized as follows:

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

Amount insured by the FDIC	\$260,329
Amount uncollateralized and uninsured	508,514
	<u>\$768,843</u>

**Investments**

As of March 31, 2011, 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 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	\$34,338	\$5,308	\$7,590	\$-	\$-	\$-	\$47,236
Due from other Governmental Units	16,289	-	-	-	-	-	16,289
Utility Billings	-	-	-	20,852	17,976	8,242	47,070
<b>Totals</b>	<b>\$50,627</b>	<b>\$5,308</b>	<b>\$7,590</b>	<b>\$20,852</b>	<b>\$17,976</b>	<b>\$8,242</b>	<b>\$110,595</b>

**NOTE D – DUE 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 TO OTHER FUNDS	DUE FROM OTHER FUNDS					
	General Fund	Road Fund	Debt Service Fund	Sewer Fund	Solid Waste Fund	Total Due To Other Funds
	General Fund	\$-	\$-	\$-	\$13,791	\$19,404
Road Fund	3,608	-	-	-	-	3,608
TIF Fund	5,264	-	-	-	-	5,264
Debt Service Fund	181	-	-	-	-	181
Sewer Fund	-	-	-	-	-	-
Water Fund	13,752	-	-	-	-	13,752
Solid Waste Fund	-	-	-	-	-	-
Tax Collection Fund	304,434	44,406	63,492	642	2,360	415,334
Total Due From Other Funds	<u>\$327,239</u>	<u>\$44,406</u>	<u>\$63,492</u>	<u>\$14,433</u>	<u>\$21,764</u>	<u>\$471,334</u>

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.

Transfer In From Other Funds	Transfer Out To Other Funds	
	General Fund	Total Transfers In
	Debt Service Fund	\$ -
Total Transfers Out	<u>\$ -</u>	<u>\$ -</u>

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:

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

	Balance at April 1, 2010	Additions	Disposals	Balance at March 31, 2011
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	\$17,000	\$-	\$-	\$17,000
Total Capital Assets, not being depreciated	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Buildings and improvements	958,273	-	-	958,273
Furniture and equipment	974,250	-	-	974,250
Total Capital Assets, being depreciated	<u>1,932,523</u>	<u>-</u>	<u>-</u>	<u>1,932,523</u>
Less Accumulated Depreciation:				
Building and improvements	(680,898)	(9,982)	-	(690,880)
Furniture and equipment	(831,030)	(43,323)	-	(874,250)
Total Accumulated Depreciation	<u>(1,511,928)</u>	<u>(53,305)</u>	<u>-</u>	<u>(1,565,233)</u>
Net Capital Assets, being depreciated	<u>420,595</u>	<u>(53,305)</u>	<u>-</u>	<u>367,290</u>
Governmental Activities Capital Asset Total – Net of Depreciation	<u>\$437,595</u>	<u>\$(53,305)</u>	<u>\$-</u>	<u>\$384,290</u>
<b>BUSINESS TYPE ACTIVITIES:</b>				
Land	\$-	\$49,000	\$-	\$49,000
Total Capital Assets, not being depreciated	<u>-</u>	<u>49,000</u>	<u>-</u>	<u>49,000</u>
Building/System and improvements	3,996,690	-	-	3,996,690
Equipment	20,000	-	-	20,000
Total Capital Assets, being depreciated	<u>4,016,690</u>	<u>-</u>	<u>-</u>	<u>4,016,690</u>
Less Accumulated Depreciation:				
Buildings/System and improvements	(2,233,452)	(99,916)	-	(2,333,368)
Equipment	(20,000)	-	-	(20,000)
Total Accumulated Depreciation	<u>(2,253,452)</u>	<u>(99,916)</u>	<u>-</u>	<u>(2,353,368)</u>
Net Capital Assets, being depreciated	<u>1,763,238</u>	<u>(99,916)</u>	<u>-</u>	<u>1,663,322</u>
Business-Type Activities Capital Asset Total – Net of Depreciation	<u>\$1,763,238</u>	<u>\$(50,916)</u>	<u>\$-</u>	<u>\$1,712,322</u>

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

Governmental Activities:	
Unallocated Depreciation	<u>\$53,305</u>
Total Governmental Activities	<u>\$54,562</u>
Business-Type Activities:	
Sewer Fund	\$74,332
Water Fund	<u>25,584</u>
Total Depreciation Expense – Business-Type Activities	<u>\$99,916</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.

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

**EMS Building – Bond**

	April 1		October 1	Total
	Interest	Principal	Interest	
2011-2012	\$17,000	\$15,078	\$14,684	\$46,762
2012-2013	18,000	14,684	14,268	46,952
2013-2014	19,000	14,268	13,829	47,097
2014-2015	20,000	13,829	13,366	47,195
2015-2016	22,000	13,366	12,858	48,224
2016-2017	22,000	12,858	12,349	47,207
2017-2018	22,000	12,349	11,794	48,143
2018-2019	24,000	11,794	11,216	48,010
2019-2020	25,000	11,216	10,614	47,830
2020-2021	26,000	10,614	9,990	47,604
2021-2022	27,000	9,990	9,343	47,333
2022-2023	28,000	9,343	8,672	47,015
2023-2024	29,000	8,672	7,978	46,650
2024-2025	30,000	7,978	7,261	46,239
2025-2026	31,000	7,261	6,521	45,782
2026-2027	32,000	6,521	5,758	45,279
2027-2028	34,000	5,758	4,972	44,730
2028-2029	36,000	4,972	4,139	45,111
2029-2030	38,000	4,139	3,261	45,400
2030-2031	42,000	3,261	2,289	47,550
2031-2032	44,000	2,289	1,272	47,561
2032-3033	52,000	1,272	69	53,341
2033-2034	3,000	69	-	3,069
<b>TOTALS</b>	<b>\$652,000</b>	<b>\$201,581</b>	<b>\$186,503</b>	<b>\$1,040,084</b>

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%.

**NOTE F – LONG-TERM DEBT (Continued):****Sewer Revenue – Special Assessment**

	September 1	March 1		Total
	Interest	Principal	Interest	
2011-2012	\$3,625	\$10,000	\$3,625	\$17,250
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
2017-2018	1,625	15,000	1,625	18,250
2018-2019	1,250	15,000	1,250	17,500
2019-2020	875	15,000	875	16,750
2020-2021	500	20,000	500	21,000
TOTALS	<u>\$21,500</u>	<u>\$145,000</u>	<u>\$21,500</u>	<u>\$188,000</u>

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%.

**Sewer – Revenue Bond**

	September 1	March 1		Total
	Interest	Principal	Interest	
2011-2012	\$500	\$10,000	\$500	\$11,000
2012-2013	250	10,000	250	10,500
TOTALS	<u>\$750</u>	<u>\$20,000</u>	<u>\$750</u>	<u>\$21,500</u>

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%.

**Water Tower**

	Principal	Interest	Total
2011-2012	\$2,916	\$1,223	\$4,139
2012-2013	3,092	1,047	4,139
2013-2014	3,278	860	4,138
2014-2015	3,476	662	4,138
2015-2016	3,686	453	4,139
2016-2017	3,909	230	4,139
2017-2018	1,782	27	1,809
TOTALS	<u>\$22,139</u>	<u>\$4,502</u>	<u>\$26,641</u>

The Loan was originally issued for \$40,000 on July 20, 2006. Loan Payments are due monthly, with an interest rate of 5.87%.

**NOTE F – LONG-TERM DEBT (Continued):**

Annual maturities on long-term debt are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011-2012	\$17,000	\$29,762	\$46,762	\$22,916	\$20,696	\$43,612
2012-2013	18,000	28,952	46,952	23,092	19,344	42,436
2013-2014	19,000	28,097	47,097	18,278	22,970	41,248
2014-2015	20,000	27,195	47,195	18,476	21,824	40,300
2015-2016	22,000	26,224	48,224	18,686	20,656	39,342
2016-2021	124,000	114,794	238,794	85,691	12,757	98,448
2021-2026	150,000	83,019	233,019	-	-	-
2026-2031	183,000	45,070	228,070	-	-	-
2031-2034	99,000	4,971	103,971	-	-	-
Totals	<u>\$652,000</u>	<u>\$388,084</u>	<u>\$1,040,084</u>	<u>\$187,139</u>	<u>\$118,247</u>	<u>\$305,386</u>

	April 1, 2010	Additions	Reductions	March 31, 2011	Due Within One Year
<b>Governmental Activities:</b>					
EMS Building	\$652,000	\$-	\$-	\$652,000	\$17,000
Total Governmental Activities	<u>652,000</u>	<u>-</u>	<u>-</u>	<u>652,000</u>	<u>17,000</u>
<b>Business-Type Activities:</b>					
Sewer Revenue Bond	155,000	-	10,000	145,000	10,000
Sewer Special Assessment Bond	30,000	-	10,000	20,000	10,000
Water Tank Loan	26,788	-	4,649	22,139	4,289
Total Business-Type Activities	<u>211,788</u>	<u>-</u>	<u>24,649</u>	<u>187,139</u>	<u>24,289</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$863,788</u>	<u>\$-</u>	<u>\$24,649</u>	<u>\$839,139</u>	<u>\$41,289</u>

**NOTE G – RESTRICTED NET ASSETS:**

The Debt Service Fund has restricted net assets totaling \$182,485 which represents the balance available to pay down debt.

**NOTE H – PROPERTY TAXES:**

The Local Governmental Unit property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

Although the Local Governmental Unit 2010 ad valorem tax is levied and collectible on December 1, 2010, it is the Local Governmental Unit'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.

**NOTE H – PROPERTY TAXES (Continued):**

The 2010 taxable valuation of the Local Governmental Unit totaled \$50,131,040, on which ad valorem taxes levied consisted of 6.1426 mills for the Local Governmental Unit operation purposes, 0.9955 mill for Road Services, and 1.4233 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	\$ 12,717,616
Total Liabilities	1,503,229
Total Net Assets	11,214,387
Total Operating Revenues	2,104,052
Total Operating Expenditures	2,511,500
Net Operating Income (Loss)	(407,448)
Other Income(Expenditures)	359,924
Net Income (Loss)	(47,524)

**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, 2011:

	Final Budget	Actual	Unfavorable Variance
General Fund:			
Legislative:			
Township Board	\$64,268	\$66,609	\$2,341
General Services and Administration:			
Supervisor	4,340	5,740	1,400
Clerk	11,553	11,629	76
Board of Review	907	2,214	1,307
Treasurer	16,070	17,148	1,078
SET Administration	2,210	3,752	1,542
Elections	3,669	3,780	111
Townhall and Grounds	63,468	66,710	3,242
Cemetery	3,390	3,914	524
Public Safety			
Fire Department	19,233	19,827	594
Public Works			
Department of Public Works	66,329	85,307	18,978
Street lighting	19,970	26,806	6,836
Health and Welfare:			
Ambulance	21,377	21,472	95
Recreation and Culture:			
Community Programs	7,300	11,038	3,738
Parks and Recreation	19,225	23,047	3,822
Special Revenue Funds:			
Road Fund:			
Public Works	-	120,663	120,663

**NOTE L – FUND BALANCE REPORTING:**

In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (Statement). Certain of the significant changes in the Statement will require the following:

Fund balances for each of the Township’s governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

**NOTE L – FUND BALANCE REPORTING (Continued):**

- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the Township’s General Fund.

The Statement also establishes several new presentation and disclosure requirements, including requirements related to stabilization arrangements (i.e., “rainy day” amounts).

In addition, the Statement clarifies the definitions of the various types of governmental funds. Interpretations of certain terms within the new definition of special revenue funds may affect which activities the Township can report in special revenue funds.

The provisions of GASBS No. 54 must be implemented by the Township no later than the fiscal year beginning April 1, 2011. Implementation will require the Township to restate existing fund balances for the governmental funds.

**NOTE M – FUND EQUITY DEFICIT BALANCES:**

At March 31, 2011 the following fund had an unrestricted fund equity deficit:

Fund	Deficit Fund Equity
Government-Type Activities:	
Tax Increment Financing District Fund	\$5,264

**REQUIRED SUPPLEMENTAL  
FINANCIAL INFORMATION**

**Township of Republic, Michigan**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2011

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 361,619	\$ 361,619	\$ 350,278	\$ (11,341)
Licenses and Permits	1,080	1,080	3,235	2,155
State Sources	67,152	67,152	71,490	4,338
Charges for Services	14,266	14,266	12,655	(1,611)
Interest	22,067	22,067	19,184	(2,883)
Other Revenues	129,610	129,610	19,215	(110,395)
<b>TOTAL REVENUES</b>	<b>595,794</b>	<b>595,794</b>	<b>476,057</b>	<b>(119,737)</b>
<b>EXPENDITURES:</b>				
Legislative	64,268	64,268	66,609	(2,341)
General Services and Administration	144,164	144,164	151,856	(7,692)
Public Safety	22,190	22,190	21,386	804
Public Works	100,629	100,629	125,530	(24,901)
Community and Economic Development	9,998	9,998	7,480	2,518
Health & Welfare	21,377	21,377	21,472	(95)
Recreation and Culture	28,940	28,940	36,020	(7,080)
Other	197,925	197,925	11,147	186,778
<b>TOTAL EXPENDITURES</b>	<b>589,491</b>	<b>589,491</b>	<b>441,500</b>	<b>147,991</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,303</b>	<b>6,303</b>	<b>34,557</b>	<b>28,254</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>6,303</b>	<b>6,303</b>	<b>34,557</b>	<b>28,254</b>
Fund balance, beginning of year	406,729	406,729	406,729	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 413,032</b>	<b>\$ 413,032</b>	<b>\$ 441,286</b>	<b>\$ 28,254</b>

**Township of Republic, Michigan**

ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2011

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 49,714	\$ 49,714
State Sources	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	169	169
Other Revenues	-	-	51,147	51,147
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>101,030</b>	<b>101,030</b>
<b>EXPENDITURES:</b>				
Legislative	-	-	-	-
General Services and Administration	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	120,663	(120,663)
Community and Economic Development	-	-	-	-
Health & Welfare	-	-	-	-
Recreation and Culture	-	-	-	-
Other	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>120,663</b>	<b>(120,663)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(19,633)</b>	<b>(19,633)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(19,633)</b>	<b>(19,633)</b>
Fund balance, beginning of year	49,429	49,429	49,429	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 49,429</b>	<b>\$ 49,429</b>	<b>\$ 29,796</b>	<b>\$ (19,633)</b>

**Township of Republic, Michigan**

TAX INCREMENT FINANCING DISTRICT FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended March 31, 2011

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Charges for Services	-	-	-	-
Interest	-	-	-	-
Other Revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Legislative	-	-	-	-
General Services and Administration	10,400	10,400	5,264	5,136
Public Safety	-	-	-	-
Public Works	-	-	-	-
Community and Economic Development	-	-	-	-
Health & Welfare	-	-	-	-
Recreation and Culture	-	-	-	-
Other	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>10,400</b>	<b>10,400</b>	<b>5,264</b>	<b>5,136</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(10,400)</b>	<b>(10,400)</b>	<b>(5,264)</b>	<b>5,136</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(10,400)</b>	<b>(10,400)</b>	<b>(5,264)</b>	<b>5,136</b>
Fund balance, beginning of year	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (10,400)</b>	<b>\$ (10,400)</b>	<b>\$ (5,264)</b>	<b>\$ 5,136</b>

## 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, 2011

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 321,205	\$ 306,802	\$ (14,403)
Commercial forest	13,217	12,978	(239)
Swamp tax	2,000	1,767	(233)
Administration fees	19,997	23,853	3,856
Payment in lieu of taxes	5,200	4,878	(322)
Total Taxes	361,619	350,278	(11,341)
Licenses and Permits:			
General variances	1,080	3,235	2,155
Total Licenses and Permits	1,080	3,235	2,155
State Sources:			
State revenue sharing	67,152	71,490	4,338
Total State Sources	67,152	71,490	4,338
Charges for Services:			
Ambulance	9,796	6,275	(3,521)
Fire	1,400	1,400	-
Cemetery	3,000	3,320	320
Other	70	1,660	1,590
Total Fees, Permits & Licenses	14,266	12,655	(1,611)
Interest & Rentals:			
Interest income	3,467	584	(2,883)
Rental Income	18,600	18,600	-
Total Interest	22,067	19,184	(2,883)
Other Revenues:			
Reimbursements	-	-	-
Sale of fixed assets	2,000	2,400	400
Miscellaneous	127,610	16,815	(110,795)
Total Other Revenues	129,610	19,215	(110,395)
<b>TOTAL REVENUES</b>	<b>595,794</b>	<b>476,057</b>	<b>(119,737)</b>
<b>EXPENDITURES:</b>			
LEGISLATIVE:			
Township Board:			
Personnel services	5,559	8,922	(3,363)
Supplies	50	6,442	(6,392)
Other services and charges	58,659	51,245	7,414
TOTAL LEGISLATIVE	64,268	66,609	(2,341)

**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, 2011

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	\$ 4,340	\$ 5,740	\$ (1,400)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	<u>4,340</u>	<u>5,740</u>	<u>(1,400)</u>
Clerk:			
Personnel services	11,553	11,629	(76)
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	<u>11,553</u>	<u>11,629</u>	<u>(76)</u>
Board of Review:			
Personnel services	859	859	-
Supplies	-	-	-
Other services and charges	48	1,355	(1,307)
Total Board of Review	<u>907</u>	<u>2,214</u>	<u>(1,307)</u>
Treasurer:			
Personnel services	12,044	12,464	(420)
Supplies	12	(942)	954
Other services and charges	4,014	5,626	(1,612)
Total Treasurer	<u>16,070</u>	<u>17,148</u>	<u>(1,078)</u>
SET Administration:			
Personnel services	2,210	3,752	(1,542)
Supplies	-	-	-
Other services and charges	-	-	-
Total SET Administration	<u>2,210</u>	<u>3,752</u>	<u>(1,542)</u>
Assessor:			
Personnel services	30,400	22,893	7,507
Supplies	300	2,008	(1,708)
Other services and charges	10,067	12,068	(2,001)
Total Assessor	<u>40,767</u>	<u>36,969</u>	<u>3,798</u>
Elections:			
Personnel services	574	2,440	(1,866)
Supplies	2,625	841	1,784
Other services and charges	470	499	(29)
Total Elections	<u>3,669</u>	<u>3,780</u>	<u>(111)</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, 2011

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>          </u>	<u>          </u>	<u>          </u>
Townhall and Grounds			
Personnel services	\$ 1,200	\$ 5,170	\$ (3,970)
Supplies	23,977	13,856	10,121
Other services and charges	<u>38,291</u>	<u>47,684</u>	<u>(9,393)</u>
Total Townhall and Grounds	<u>63,468</u>	<u>66,710</u>	<u>(3,242)</u>
Cemetery:			
Personnel services	200	1,368	(1,168)
Supplies	500	190	310
Other services and charges	<u>2,690</u>	<u>2,356</u>	<u>334</u>
Total Cemetery	<u>3,390</u>	<u>3,914</u>	<u>(524)</u>
 TOTAL GENERAL SERVICES AND ADMINISTRATION	 <u>144,164</u>	 <u>151,856</u>	 <u>(3,940)</u>
 PUBLIC SAFETY:			
Ordinance Enforcement:			
Personnel services	725	895	(170)
Supplies	532	-	532
Other services and charges	<u>1,700</u>	<u>664</u>	<u>1,036</u>
Total Ordinance Enforcement	<u>2,957</u>	<u>1,559</u>	<u>1,398</u>
Fire:			
Personnel services	1,150	1,685	(535)
Supplies	4,625	5,098	(473)
Other services and charges	<u>13,458</u>	<u>13,044</u>	<u>414</u>
Total Fire	<u>19,233</u>	<u>19,827</u>	<u>(594)</u>
ID System:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	<u>-</u>	<u>-</u>	<u>-</u>
Total ID System	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL PUBLIC SAFETY	 <u>22,190</u>	 <u>21,386</u>	 <u>804</u>
 PUBLIC WORKS:			
Department of Public Works:			
Personnel services	57,669	79,092	(21,423)
Supplies	7,045	4,493	2,552
Other services and charges	<u>1,615</u>	<u>1,722</u>	<u>(107)</u>
Total Department of Public Works	<u>66,329</u>	<u>85,307</u>	<u>(18,978)</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, 2011

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Vehicle and Equipment:</b>			
Personnel services	\$ 470	\$ 473	\$ (3)
Supplies	2,120	7,361	(5,241)
Other services and charges	11,740	5,583	6,157
Total Vehicle and Equipment	<u>14,330</u>	<u>13,417</u>	<u>913</u>
<b>Street Lighting:</b>			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	19,970	26,806	(6,836)
Total Street Lighting	<u>19,970</u>	<u>26,806</u>	<u>(6,836)</u>
TOTAL PUBLIC WORKS	<u>100,629</u>	<u>125,530</u>	<u>(24,901)</u>
<b>HEALTH AND WELFARE:</b>			
<b>Ambulance:</b>			
Personnel services	5,812	7,499	(1,687)
Supplies	4,290	7,806	(3,516)
Other services and charges	11,275	6,167	5,108
Total Ambulance	<u>21,377</u>	<u>21,472</u>	<u>(95)</u>
TOTAL HEALTH AND WELFARE	<u>21,377</u>	<u>21,472</u>	<u>(95)</u>
<b>COMMUNITY AND ECONOMIC DEVELOPMENT:</b>			
<b>Planning and Zoning Commission:</b>			
Personnel services	5,848	5,587	261
Supplies	450	1,256	(806)
Other services and charges	3,700	637	3,063
Total Planning and Zoning Commission	<u>9,998</u>	<u>7,480</u>	<u>2,518</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>9,998</u>	<u>7,480</u>	<u>2,518</u>
<b>RECREATION AND CULTURE:</b>			
<b>Community Programs:</b>			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	7,300	11,038	(3,738)
Total Community Programs	<u>7,300</u>	<u>11,038</u>	<u>(3,738)</u>
<b>Parks &amp; Recreation:</b>			
Personnel services	7,320	12,377	(5,057)
Supplies	500	2,786	(2,286)
Other services and charges	11,405	7,884	3,521
Total Recreation	<u>19,225</u>	<u>23,047</u>	<u>(3,822)</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, 2011

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Youth Community Center:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	2,415	1,935	480
Total Youth Community Center	<u>2,415</u>	<u>1,935</u>	<u>480</u>
 TOTAL RECREATION AND CULTURE	 <u>28,940</u>	 <u>36,020</u>	 <u>(7,080)</u>
 OTHER FUNCTIONS:			
Payroll taxes	11,175	11,147	28
Miscellaneous	186,750	-	186,750
 TOTAL OTHER FUNCTIONS	 <u>197,925</u>	 <u>11,147</u>	 <u>186,778</u>
 TOTAL EXPENDITURES	 <u>589,491</u>	 <u>441,500</u>	 <u>151,743</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>6,303</u>	 <u>34,557</u>	 <u>32,006</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>6,303</u>	 <u>34,557</u>	 <u>32,006</u>
 Fund balance, beginning of year	 <u>406,729</u>	 <u>406,729</u>	 <u>-</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 413,032</u>	 <u>\$ 441,286</u>	 <u>\$ 32,006</u>

**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, 2011

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ -	\$ 49,714	\$ 49,714
Total Taxes	<u>-</u>	<u>49,714</u>	<u>49,714</u>
Interest & Rentals:			
Interest income	-	169	169
Total Interest	<u>-</u>	<u>169</u>	<u>169</u>
Other Revenues:			
Miscellaneous	-	51,147	51,147
Total Other Revenues	<u>-</u>	<u>51,147</u>	<u>51,147</u>
<b>TOTAL REVENUES</b>	<u>-</u>	<u>101,030</u>	<u>101,030</u>
<b>EXPENDITURES:</b>			
PUBLIC WORKS:			
Department of Public Works:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	-	-
Capital outlay	-	120,663	(120,663)
Total Department of Public Works	<u>-</u>	<u>120,663</u>	<u>(120,663)</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>120,663</u>	<u>(120,663)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(19,633)</u>	<u>(19,633)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING                     SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(19,633)</u>	<u>(19,633)</u>
Fund balance, beginning of year	<u>49,429</u>	<u>49,429</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 49,429</u>	<u>\$ 29,796</u>	<u>\$ (19,633)</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, 2011

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ -	\$ -	\$ -
Total Taxes	<u>-</u>	<u>-</u>	<u>-</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>
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
GENERAL GOVERNMENT:			
Tax Increment Finance Authority:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	10,400	5,264	5,136
Capital outlay	-	-	-
Total Tax Increment Finance Authority	<u>10,400</u>	<u>5,264</u>	<u>5,136</u>
<b>TOTAL EXPENDITURES</b>	<u>10,400</u>	<u>5,264</u>	<u>5,136</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(10,400)</u>	<u>(5,264)</u>	<u>5,136</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING                     SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(10,400)</u>	<u>(5,264)</u>	<u>5,136</u>
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ (10,400)</u></u>	<u><u>\$ (5,264)</u></u>	<u><u>\$ 5,136</u></u>

**Township of Republic, Michigan**

FIDUCIARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2011

	<u><b>Tax Collection Fund</b></u>
<b>ASSETS:</b>	
Cash and equivalents	<u>\$ 415,334</u>
<b>TOTAL ASSETS</b>	<u><u>415,334</u></u>
<b>LIABILITIES:</b>	
Due to other funds	415,334
Due to other units	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 415,334</u></u>

## COMPLIANCE SUPPLEMENTS



**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. Sheltrow, CPA

**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 Township of Republic, Michigan, as of and for the year ended March 31, 2011, which collectively comprise the Township of Republic, Michigan's basic financial statements and have issued our report thereon dated November 17, 2011. 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

In planning and performing our audit, we considered 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 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 that we consider to be significant deficiencies in internal control over financial reporting as items 2011-01 through 2011-04. *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.

Township of Republic, Michigan  
Republic, Michigan 49879

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 as items 2011-05 through 2011-07.

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 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

November 17, 2011

## COMMUNICATIONS SECTION



**ANDERSON, TACKMAN & COMPANY, PLC**

**Certified Public Accountants**

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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

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William C. Shelton, CPA

***Township of Republic, Michigan***  
***Report to Management Letter***  
***For the Year Ended March 31, 2011***

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 Township of Republic, Michigan as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Republic, Michigan's internal control over financial reporting (internal control) 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. 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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

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 Township of Republic, Michigan's internal control to be significant deficiencies:

### **2011-01 – FINANCIAL REPORTING CYCLE**

**Condition/Criteria:** The monthly and yearend financial reporting package as presented to the Board of Trustees is not fully compliant with generally accepted accounting principles. The general ledger is recorded on the cash basis of accounting and not on the modified-accrual basis of accounting.

**Cause of Condition:** Failure to record accruals in the general ledger.

**Effect:** Because the accruals are not being record in the general ledger until after the audit, the financial statements are not compliant with generally accepted accounting principles.

**Recommendation:** Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing accrual accounting and often operate on the modified cash basis.

#### **Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Gary Johnson, Supervisor
- Corrective Action Planned:
  - The Township board closely monitors financial activity, and the board will determine the cost-effectiveness of implementing accrual accounting on an annual basis.
- Anticipated Completion Date:
  - Unknown

### **2011-02 – SEGREGATION OF DUTIES**

**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.

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

**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.

**2011-03 – 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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**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.

**2011-04 Condition/Criteria:** The Township of Republic, Michigan’s general ledger has not been fully reviewed for accuracy or completeness after the conversion to the new accounting system.

**Effect:** The Township of Republic, Michigan had recorded numerous transactions multiple times into the general ledger resulting in 39 adjusting journal entries.

**Cause of Condition:** Failure to properly setup their new accounting system and install proper controls over the general ledger.

**Recommendation:** The Township of Republic, Michigan should properly setup their computer system and review the general ledger monthly for accuracy and completeness.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Gary Johnson, Supervisor
- Corrective Action Planned:
  - The Township has corrected these journal entries and is setting up proper reconciliation procedures.
- Anticipated Completion Date:
  - October 31, 2011

**INSTANCE OF NON-COMPLIANCE**

**2011-05 – 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, 2011, the Township of Republic, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

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**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, 2012

**2011-06 Condition/Criteria:** Public Act 2 of 1968, as amended, provides that townships shall use the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. During the year ended March 31, 2011, the Township of Republic, Michigan did not record all the activity of the youth center in a general ledger system.

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

**Cause of Condition:** Failure of the youth center to operate within the Township accounting system.

**Recommendation:** The Township of Republic, Michigan should incorporate their youth center into the accounting system with the fund in the general ledger.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Gary Johnson, Supervisor
- Corrective Action Planned:
  - The Township is planning on incorporating the youth center into their accounting system in the coming fiscal year.
- Anticipated Completion Date:
  - March 31, 2012

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**2011-07 Condition/Criteria:** Public Act 2 of 1968, as amended, provides that townships shall use the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. Which includes various funds which is an independent accounting entity with a self-balancing set of accounts, created for the purpose of carrying on a specific activity? When the Township of Republic, Michigan converted to a new computerized accounting system, individual funds were not created and kept in balance.

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

**Cause of Condition:** Failure to setup funds when setting up their new computer system.

**Recommendation:** The Township of Republic, Michigan should setup their computer system with the all required funds in the general ledger.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Gary Johnson, Supervisor
- Corrective Action Planned:
  - The Township has corrected and updated the general ledger to record all required funds.
- Anticipated Completion Date:
  - October 31, 2011

**2011-08 Condition/Criteria:** At March 31, 2011 the Township of Republic, Michigan had an unrestricted equity deficit in their fire 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, 2012. 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, 2012

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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

November 17, 2011



**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. Shelton, CPA

***Township of Republic, Michigan***  
*Communication with Those Charged with Governance*  
*For the Year Ended March 31, 2011*

November 17, 2011

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 Township of Republic, Michigan for the year ended March 31, 2011. 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 August 11, 2011. 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. 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:

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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.

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

We encountered significant difficulties in dealing with management in performing and completing our audit. During the fiscal year the Township of Republic, Michigan converted to a new accounting system. In the process of the conversion the individual funds were not setup in the new system and the clerk has resigned twice during this time. Because of this, the general ledger had numerous errors that were difficult to correct and lead to extra time needed to complete the audit. In addition, due to the extra time need to complete the audit, we could not complete the audit by the State of Michigan deadline, leading to a late audit report.

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

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### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 17, 2011.

### *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 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 that we consider to be significant deficiencies in internal control over financial reporting as items 2011-01 through 2011-04. 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 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 as items 2011-05 through 2011-08.

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(Other Information in Documents Containing Audited Financial Statements)

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

The Governmental Accounting Standards Board has recently released Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The new pronouncement reclassifies reserved and unreserved fund balances into the following categories: Nonspendable, restricted, committed, assigned, and unassigned. The new pronouncement will require Boards to adopt classification policy and procedures and disclose such policies and procedures in the footnotes of the financial statements. The new pronouncement is effective for the year ended March 31, 2012 and will require beginning fund balance classifications to be retroactively restated in the year of implementation.

This information is intended solely for the use of Board of Trustees and management of 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