

TOWNSHIP OF ONTWA
CASS COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2013

**TOWNSHIP OF ONTWA
Township Board Members
March 31, 2013**

TOWNSHIP BOARD

John Brielmaier	Supervisor
Paula Ralph	Clerk
Meryl Christensen	Treasurer
Jerry Duck	Trustee
Norman Krupp	Trustee
Jerry Marchetti	Trustee
Nathan Brousseau	Trustee

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3- 8
Government-Wide Statement of Net Position	9
Government-Wide Statement of Activities	10
Governmental Funds Balance Sheet	11
Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balance	12
Proprietary Fund Statement of Net Position	13
Proprietary Fund Statement of Revenues, Expenses, and Changes In Net Position	14
Proprietary Fund Statement of Cash Flows	15
Trust and Agency Funds – Statement of Net Position	16
Notes to the Financial Statements	17 - 31
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	32
Budgetary Comparison Schedule – Police Fund	33
Budgetary Comparison Schedule – Fire/Ambulance Fund	34



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Township of Ontwa, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Township of Ontwa, Michigan as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and each major fund of Township of Ontwa, Michigan, as of March 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

INDEPENDENT AUDITOR'S REPORT

Other Matters

Change in Accounting Principle

As described in Note 13 to the financial statements, the Township adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 32 through 34 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.



Schaffer & Layher, PLLC
August 9, 2013

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net position decreased .6% from a year ago—decreasing from \$11,377,612 to \$11,308,658. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of \$67,102 during the year, while the business-type activities experienced a decrease in net position of \$136,056.

Overview of the Financial Statements

This report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Township of Ontwa Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as general, police, and fire/ambulance.	Activities the Township operates similar to private businesses: the sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net position > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of net position. > Statement of revenues, expenditures, and changes in net position. > Statement of cash flows	> Statement of fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township’s net position and how it has changed. Net position is the difference between the Township’s assets and liabilities, which is one way to measure the Township’s financial health, or position.

- Over time, increases or decreases in the Township’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township’s property tax base and condition of the Township’s infrastructure.

Government-wide Statements, Concluded

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. public safety monies) or to show that it is properly using certain taxes and grants (i.e. debt service monies).

The Township has the following three kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net position was \$11,308,658. In a condensed format the following table below shows a breakdown of net position as of March 31, 2013 and 2012:

At March 31, 2013, unrestricted net position—the part of net position that can be used to finance day to day operations, was \$774,340 for the governmental activities. The current level of unrestricted net position for business – type activities stands at \$2,005,203.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 731,373	\$ 632,701	\$ 2,435,692	\$ 2,491,123	\$ 3,167,065	\$ 3,123,824
Noncurrent Assets	860,568	886,049	12,007,422	12,644,396	12,867,990	13,530,445
Total Assets	\$ 1,591,941	\$ 1,518,750	\$ 14,443,114	\$ 15,135,519	\$ 16,035,055	\$ 16,654,269
Current Liabilities	\$ 47,775	\$ 41,686	\$ 661,830	\$ 668,179	\$ 709,605	\$ 709,865
Noncurrent Liabilities	-	-	4,016,792	4,566,792	4,016,792	4,566,792
Total Liabilities	\$ 47,775	\$ 41,686	\$ 4,678,622	\$ 5,234,971	\$ 4,726,397	\$ 5,276,657
Net Position						
Invested in capital assets, net of related debt	\$ 724,167	\$ 771,508	\$ 4,589,285	\$ 4,263,309	\$ 5,313,452	\$ 5,034,817
Restricted	45,659	39,858	3,170,004	3,592,041	3,215,663	3,631,899
Unrestricted	774,340	665,698	2,005,203	2,045,198	2,779,543	2,710,896
Total Net Position	\$ 1,544,166	\$ 1,477,064	\$ 9,764,492	\$ 9,900,548	\$ 11,308,658	\$ 11,377,612

Financial Analysis of the Township as a Whole, Concluded

The following table shows the change in net position for the years ended March 31, 2013 and 2012.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Program Revenues						
Charges for Services	\$ 56,764	\$ 52,809	\$ 1,224,077	\$ 908,135	\$ 1,280,841	\$ 960,944
General Revenues						
Property Taxes	1,090,163	974,848	-	-	1,090,163	974,848
State Shared Revenues	385,724	392,436	-	-	385,724	392,436
Investment Earnings	1,325	2,280	135,842	154,613	137,167	156,893
Franchise Fees	57,675	55,823	-	-	57,675	55,823
Administration Fees	11,407	9,255	-	-	11,407	9,255
Other Revenue	19,306	24,995	-	-	19,306	24,995
Total Revenues	<u>\$ 1,622,364</u>	<u>\$ 1,512,446</u>	<u>\$ 1,359,919</u>	<u>\$ 1,062,748</u>	<u>\$ 2,982,283</u>	<u>\$ 2,575,194</u>
Program Expenses						
General Government	\$ 278,845	\$ 257,585	\$ -	\$ -	\$ 278,845	\$ 257,585
Public Safety	1,104,967	993,467	-	-	1,104,967	993,467
Public Works	115,178	99,194	-	-	115,178	99,194
Recreation and Culture	545	480	-	-	545	480
Community and Economic						
Development	8,386	9,256	-	-	8,386	9,256
Depreciation	47,341	47,341	-	-	47,341	47,341
Sewer	-	-	1,495,975	1,093,500	1,495,975	1,093,500
Total Expenses	<u>\$ 1,555,262</u>	<u>\$ 1,407,323</u>	<u>\$ 1,495,975</u>	<u>\$ 1,093,500</u>	<u>\$ 3,051,237</u>	<u>\$ 2,500,823</u>
Change in Net Position	<u>\$ 67,102</u>	<u>\$ 105,123</u>	<u>\$ (136,056)</u>	<u>\$ (30,752)</u>	<u>\$ (68,954)</u>	<u>\$ 74,371</u>

Governmental Activities

The Township's total governmental revenues (not including transfers) increased \$109,918 from prior year, primarily due to an increase in total property taxes of \$115,315 as a result of an increase in the police and fire/ambulance special millage rates.

The Township's total governmental expenses increased \$147,939 from prior year, primarily due to an increase in contractual amounts paid out for police and fire/ambulance services totaling \$114,276.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. In 2013, revenues increased by \$315,942 primarily as a result of a one-time charge totaling \$219,450 received as a result of the capacity expansion for Granger Service Area. Business-type expenses increased by \$402,475 primarily a result of a one-time charge totaling \$314,000 paid to the City of Elkhart as a result of the capacity expansion for Granger Service Area and an increase of \$144,362 of repairs and maintenance expenses.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2013 included the General Fund, Police Fund and Fire/Ambulance Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, public works and other. The most significant is general government, which incurred expenditures of \$278,845 in 2013. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. There were no budget amendments made during 2013.

Capital Asset and Debt Administration

At the end of March 31, 2013, the Township had investment in capital assets for its governmental and business-type activities of \$9,939,548 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively, in accordance with G.A.S.B. #34.

During fiscal year 2013, the Township had no significant capital improvements.

Long-Term Debt

The Township continued to make scheduled payments on its outstanding long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates expenditures over revenues in the general fund and the business-type activity funds will attempt to have positive cash flows.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 672,085	\$ 1,998,317	\$ 2,670,402
Accounts Receivable, Net	59,288	44,412	103,700
Due from Other Governmental Units	-	15,000	15,000
Special Assessment Receivables, Net	-	377,963	377,963
Total Current Assets	\$ 731,373	\$ 2,435,692	\$ 3,167,065
Noncurrent Assets			
Restricted Investments	\$ -	\$ 1,346,967	\$ 1,346,967
Special Assessment Receivable	-	1,445,074	1,445,074
Certificates of Deposit (Maturity > 1 Year)	136,401	-	136,401
Capital Assets, Net	724,167	9,215,381	9,939,548
Total Noncurrent Assets	\$ 860,568	\$ 12,007,422	\$ 12,867,990
Total Assets	\$ 1,591,941	\$ 14,443,114	\$ 16,035,055
Liabilities			
Current Liabilities			
Accounts payable	\$ 47,775	\$ -	\$ 47,775
Due to Other Governmental Units	-	6,601	6,601
Interest Payable	-	45,925	45,925
Bonds Payable, Current	-	609,304	609,304
Total Current Liabilities	\$ 47,775	\$ 661,830	\$ 709,605
Noncurrent Liabilities			
Bonds Payable	\$ -	\$ 4,016,792	\$ 4,016,792
Total Liabilities	\$ 47,775	\$ 4,678,622	\$ 4,726,397
Net Position			
Invested in Capital Assets Net of Related Debt	\$ 724,167	\$ 4,589,285	\$ 5,313,452
Restricted	45,659	3,170,004	3,215,663
Unrestricted	774,340	2,005,203	2,779,543
Total Net Position	\$ 1,544,166	\$ 9,764,492	\$ 11,308,658

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

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
General Government	\$ 278,845	\$ 56,764	\$ -	\$ -	\$ (222,081)	\$ -	\$ (222,081)
Public Safety	1,104,967	-	-	-	(1,104,967)	-	(1,104,967)
Public Works	115,178	-	-	-	(115,178)	-	(115,178)
Recreation and Culture	545	-	-	-	(545)	-	(545)
Community and Economic Development	8,386	-	-	-	(8,386)	-	(8,386)
Depreciation	47,341	-	-	-	(47,341)	-	(47,341)
Total Governmental Activities	<u>\$ 1,555,262</u>	<u>\$ 56,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,498,498)</u>	<u>\$ -</u>	<u>\$ (1,498,498)</u>
Business-Type Activities							
Sewer Fund	\$ 1,495,975	\$ 1,224,077	\$ -	\$ -	\$ -	\$ (271,898)	\$ (271,898)
Total Business-Type Activities	<u>\$ 1,495,975</u>	<u>\$ 1,224,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (271,898)</u>	<u>\$ (271,898)</u>
Total Primary Government	<u>\$ 3,051,237</u>	<u>\$ 1,280,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,498,498)</u>	<u>\$ (271,898)</u>	<u>\$ (1,770,396)</u>
General Revenues							
Property Taxes					\$ 1,090,163	\$ -	\$ 1,090,163
State Shared Revenues					385,724	-	385,724
Investment Earnings					1,325	135,842	137,167
Franchise Fees					57,675	-	57,675
Administrative Fees					11,407	-	11,407
Other Revenue					19,306	-	19,306
Total General Revenues					<u>\$ 1,565,600</u>	<u>\$ 135,842</u>	<u>\$ 1,701,442</u>
Change in Net Position					\$ 67,102	\$ (136,056)	\$ (68,954)
Net Position-Beginning					1,477,064	9,900,548	11,377,612
Net Position-Ending					<u>\$ 1,544,166</u>	<u>\$ 9,764,492</u>	<u>\$ 11,308,658</u>

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

March 31, 2013

	General	Police Fund	Fire/Ambulance Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 672,085	\$ -	\$ -	\$ 672,085
Taxes Receivable	11,513	23,882	23,893	59,288
Certificates of Deposit (Maturity > 1 Year)	136,401	-	-	136,401
Total Assets	\$ 819,999	\$ 23,882	\$ 23,893	\$ 867,774
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ -	\$ 23,882	\$ 23,893	\$ 47,775
Total Liabilities	\$ -	\$ 23,882	\$ 23,893	\$ 47,775
Fund Balance				
Restricted for Special Assessments	\$ 45,659	\$ -	\$ -	\$ 45,659
Assigned for Budgeted Deficit	580,544	-	-	580,544
Unassigned	193,796	-	-	193,796
Total Fund Balance	\$ 819,999	\$ -	\$ -	\$ 819,999

Total Fund Balance

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

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

724,167

Net Position of Governmental Activities

\$ 1,544,166

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

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended March 31, 2013**

	General Fund	Police Fund	Fire/Ambulance Fund	Total
Revenues				
Tax Revenues	\$ 199,869	\$ 445,147	\$ 445,147	\$ 1,090,163
Intergovernmental Revenue from State	385,724	-	-	385,724
Fines and Forfeits	12,647	-	-	12,647
Licenses and Permits	44,117	-	-	44,117
Franchise Fees	57,675	-	-	57,675
Interest and Rents	1,325	-	-	1,325
Administrative Fees	11,407	-	-	11,407
Other Revenue	19,306	-	-	19,306
Total Revenues	<u>\$ 732,070</u>	<u>\$ 445,147</u>	<u>\$ 445,147</u>	<u>\$ 1,622,364</u>
Expenditures				
General Government:				
Legislative	\$ 109,796	\$ -	\$ -	\$ 109,796
Chief Executive	64,274	-	-	64,274
Treasurer	21,297	-	-	21,297
Assessing Equalization	30,653	-	-	30,653
Clerk	22,132	-	-	22,132
Elections	9,304	-	-	9,304
Building and Grounds	17,129	-	-	17,129
All Other	4,260	-	-	4,260
Public Safety:				
Police	173,875	445,147	-	619,022
Ambulance/Fire	140	-	445,147	445,287
Building Inspections	40,658	-	-	40,658
Public Works:				
Electric Utilities	10,436	-	-	10,436
Roads	98,957	-	-	98,957
All Other	5,785	-	-	5,785
Recreation and Culture:				
Parks and Recreation	545	-	-	545
Community and Economic Development:				
Community Planning and Zoning	8,386	-	-	8,386
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 617,627</u>	<u>\$ 445,147</u>	<u>\$ 445,147</u>	<u>\$ 1,507,921</u>
Excess Revenues Over Expenditures	\$ 114,443	\$ -	\$ -	\$ 114,443
Fund Balance- Beginning of Year	<u>705,556</u>	<u>-</u>	<u>-</u>	
Fund Balance - End of Year	<u>\$ 819,999</u>	<u>\$ -</u>	<u>\$ -</u>	

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

*Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

	(47,341)
Change in Net Position of Governmental Activities	\$ 67,102

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

**PROPRIETARY FUND
STATEMENT OF NET POSITION
March 31, 2013**

	Sewer Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,998,317
Due from Edwardsburg Police Board	15,000
Trade Receivables, Net	44,412
Special Assessment Receivables, Net	377,963
Total Current Assets	\$ 2,435,692
Noncurrent Assets:	
Restricted Investments	\$ 1,346,967
Special Assessment Receivables	1,445,074
Capital Assets, Net	9,215,381
Total Noncurrent Assets	\$ 12,007,422
Total Assets	\$ 14,443,114
Liabilities	
Current Liabilities:	
Due to Other Governmental Units	\$ 6,601
Interest Payable	45,925
Bonds Payable, Current	609,304
Total Current Liabilities	\$ 661,830
Noncurrent Liabilities:	
Bonds Payable, Noncurrent	4,016,792
Total Liabilities	\$ 4,678,622
Net Position	
Invested in Capital Assets-Net of Related Debt	\$ 4,589,285
Restricted	3,170,004
Unrestricted	2,005,203
Total Net Position	\$ 9,764,492
Total Liabilities & Net Position	\$ 14,443,114

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

PROPRIETY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2013

	Sewer Fund
Operating Revenues	
Charges for Services	\$ 962,959
Hook-up Charges and Other	261,118
Total Operating Revenues	\$ 1,224,077
Operating Expenses	
Personal Services	\$ 26,843
Professional Fees	3,104
Contracted Services	685,474
Telephone and Other	55,818
Repairs and Maintenance	206,243
Utilities	23,073
Depreciation	236,974
Total Operating Expenses	\$ 1,237,529
Operating Loss	\$ (13,452)
Other Revenue (Expenses)	
Interest Income:	
Special Assessments	\$ 128,212
Other	7,630
Interest Expense	(206,266)
Payments to Village of Edwardsburg for Debt Service	(52,180)
Total Other Revenue (Expenses)	\$ (122,604)
Change in Net Position	\$ (136,056)
Net Position-Beginning of Year	9,900,548
Net Position-End of Year	\$ 9,764,492

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

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	Sewer Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,245,456
Payments to Vendors and Suppliers	(967,111)
Payments to Employees	(26,843)
Net Cash Provided by Operating Activities	\$ 251,502
Cash Flows From Capital and Related Financing Activities	
Special Assessment Principal Received	\$ 433,481
Special Assessment Interest Received	128,212
Principal Reduction of Long-term Debt	(562,950)
Interest Paid	(206,266)
Payments to Village for debt service	(52,180)
Net Cash Used in Capital and Related Financing Activities	\$ (259,703)
Cash Flows From Investing Activities	
Interest Received	\$ 7,630
Net Decrease in Cash and Cash Equivalents	\$ (571)
Cash and Cash Equivalents-Beginning	3,345,855
Cash and Cash Equivalents-Ending	\$ 3,345,284
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (13,452)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	236,974
<i>Change in Assets and Liabilities:</i>	
Due from Edwardsburg Police Board	15,000
Trade receivables, net	6,379
Due to Village of Edwardsburg	6,601
Net Cash Provided by Operating Activities	\$ 251,502

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

STATEMENT OF NET POSITION
TRUST AND AGENCY FUNDS
MARCH 31, 2013

	Agency Fund (Property Tax Collections)	Trust Fund (Escrow Funds)	Total Trust and Agency Funds
Assets			
Cash	\$ 5,107	\$ 1,136	\$ 6,243
Total Assets			
Liabilities			
Due to Governmental Units	\$ 5,107	\$ -	\$ 5,107
Due to Others	-	1,136	1,136
Total Liabilities	\$ 5,107	\$ 1,136	\$ 6,243

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Township is governed by an elected seven-member council ("Board"). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2013.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at March 31, 2013.

Jointly Governed Organization—The Township is a sponsoring member of the Township of Ontwa-Edwardsburg Police Department, The Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service. The Township appoints two members to each jointly governed organization's governing board, and the Township provides annual financial support to each entity. The Township does not retain an equity interest in any of the entities and, accordingly, these entities are not considered includable in these financial statements. Financial information of the jointly governed organizations is available from their respective offices in Edwardsburg, Michigan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Township's policy is to first apply restricted resources.

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

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 **Police Fund** accounts for special voted taxes levied to support operating costs of police services.

The **Fire/Ambulance Fund** accounts for special voted taxes levied to support operating costs of fire protection and response and ambulance services.

The Township reports the following major proprietary funds:

The **Sewer Fund** accounts for the operation of the Township's sewage system and treatment plant.

The Township reports the following fiduciary funds:

The Township reports two agency (fiduciary) funds – Tax Collection Fund, which accounts for property taxes collected on behalf of other local units of government, and Escrow Fund, which accounts for deposits held on behalf of developers and others for zoning or other requests.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

Revenue is recognized in the accounting period in which it becomes susceptible to accrual—that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Property Taxes - The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2012 ad valorem tax is levied and collectible on December 1st, 2012 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2012 taxable valuation of the Township totaled approximately \$223.4 million, on which ad valorem taxes are levied which consisted of .7486 mills for the Township's operating purposes, 2.0000 for police, and 2.0000 for fire/ambulance services. These amounts are recognized in their governmental fund financial statements as taxes receivable—current or as tax revenue.

E. Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position or Equity, Continued

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Roads	20 years
Sewer System	50 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e., there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenue, and expenditures.

Fund Equity—The Township has adopted the provisions of Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are definitions for the five new fund balance classifications:

Non spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of March 31, 2013, none of the Township's fund balance was classified as non spendable.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of March 31, 2013, \$45,659 of the Township's fund balance has been restricted for special assessment districts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Position or Equity, Concluded**

Committed fund balance- includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of March 31, 2013, none of the Township's fund balance was classified as committed.

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. As of March 31, 2013, \$580,544 of the Township's fund balance has been assigned by the Township board for the fiscal 2014 budgeted deficit.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of March 31, 2013, \$193,796 was classified as unassigned.

As the Township has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position— Net position represents the difference between the assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws. Restricted net position is reduced by the liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

The budget document presents information by function. The legal level of budgetary control adopted by the governing board (i.e., the level at which expenditures that may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Township to amend its budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds - During the year, the Township had the following budget variances:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Fund - Public Safety	\$ 388,536	\$ 445,147	\$ (56,611)
Fire/Ambulance Fund - Pubic Safety	388,536	445,147	(56,611)

Fund Deficits – The Township has no accumulated fund balance/retained earning deficits in their reported funds.

Construction Code Fees – The Township oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Deficit at April 1, 2012		<u>\$ (48,483)</u>
Current year permit revenue		\$ 44,117
Related expenses:		
Direct costs	\$ 35,658	
Estimated indirect costs	5,000	<u>40,658</u>
Current year income		<u>\$ 3,459</u>
Cumulative deficit at March 31, 2013		<u><u>\$ (45,024)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2013, the Township's deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 672,085	\$ 1,998,317	\$ 2,670,402	\$ 6,243
Certificates of deposit	136,401	1,346,967	1,483,368	-
Total	<u>\$ 808,486</u>	<u>\$ 3,345,284</u>	<u>\$ 4,153,770</u>	<u>\$ 6,243</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, C/D's)	\$ 2,670,402	\$ 6,243
Certificate of Deposits > 1 year	1,483,368	-
	<u>\$ 4,153,770</u>	<u>\$ 6,243</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2013, none of the Township's bank balance of \$4,347,212 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC or FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
	1-5 years	6-10 years	More than 10		
Certificates of Deposit	<u>\$ 1,483,368</u>	<u>\$ 1,483,368</u>	<u>\$ 1,483,368</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2013, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2013, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2013, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major fund including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Police Fund	Fire/ Ambulance Fund	Sewer Fund	Total
Receivables					
Taxes	\$ 11,513	\$ 23,882	\$ 23,893	\$ -	\$ 59,288
Special Assessment	-	-	-	1,823,037	1,823,037
Due From Other					
Governmental Units	-	-	-	15,000	15,000
Trade	-	-	-	44,412	44,412
Total Receivables	<u>\$ 11,513</u>	<u>\$ 23,882</u>	<u>\$ 23,893</u>	<u>\$ 1,882,449</u>	<u>\$ 1,941,737</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property.

NOTE 5. COMMITMENTS

The Township has \$96,818 committed for various road projects as of March 31, 2013. The Township is responsible for \$87,136 or 90% of each project.

NOTE 6. CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 30,350	\$ -	\$ -	\$ 30,350
Capital assets being depreciated:				
Building	\$ 384,181	\$ -	\$ -	\$ 384,181
Equipment	96,737	-	-	96,737
Streets	561,247	-	-	561,247
Total	\$ 1,042,165	\$ -	\$ -	\$ 1,042,165
Accumulated depreciation:				
Building	\$ (115,173)	\$ (9,605)	\$ -	\$ (124,778)
Equipment	(73,493)	(9,674)	-	(83,167)
Streets	(112,341)	(28,062)	-	(140,403)
Total	\$ (301,007)	\$ (47,341)	\$ -	\$ (348,348)
Net capital assets being depreciated	<u>\$ 741,158</u>			<u>\$ 693,817</u>
Net capital assets	<u>\$ 771,508</u>			<u>\$ 724,167</u>

Business-Type Activities - Sewer

Capital assets not being depreciated				
Sewer system	\$ 11,848,718	\$ -	\$ -	\$ 11,848,718
Less Accumulated Depreciation	<u>(2,396,363)</u>	<u>(236,974)</u>	-	<u>(2,633,337)</u>
Net capital assets - Sewer	<u>\$ 9,452,355</u>	<u>\$ (236,974)</u>	<u>\$ -</u>	<u>\$ 9,215,381</u>

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

Governmental Activities	
Unallocated Depreciation	<u>\$ 47,341</u>
Business-type Activities	
Sewer	<u>\$ 236,974</u>

NOTE 7. LONG TERM DEBT

Long term obligations consist of the following contract payables to Cass County, issued in connection with sewer system improvements and expansion. All debt is secured by the full faith and credit of the Township.

Long-term obligation activity can be summarized as follows:

Fund	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2004 Contract Payable	4.0 - 4.9%	2024	\$ 52,950	\$ -	\$ (52,950)	\$ -	\$ -
2005 Contract Payable	3.5-4.75%	2019	4,560,000	-	(510,000)	4,050,000	550,000
2012 Contract Payable	2.0-3.15%	2024	576,096	-	-	576,096	59,304
Total business-type activities			<u>\$ 5,189,046</u>	<u>\$ -</u>	<u>\$ (562,950)</u>	<u>\$ 4,626,096</u>	<u>\$ 609,304</u>

Face Amount

\$1,360,000 Cass County Sewage Disposal Bonds (Painter, Juno, and Christiana Lakes) (Refunding, Series 2012 general obligation limited tax); bearing interest at 2.00% to 3.15%, due in annual installments of \$75,000 to \$140,000, beginning in May 2013, plus interest, through May 2024. **

\$ 576,096

\$6,540,000 Cass County Sewage Disposal Bonds (Refunding general obligation limited tax); bearing interest at 3.50% to 4.75%, due in annual installments of \$485,000 to \$640,000, beginning in May 2008, plus interest, through May 2019.

4,050,000
\$ 4,626,096

** -- This bond obligation is shown with Ontwa Township responsible for 42.36% and Mason Township responsible for 57.65%.

NOTE 7. LONG TERM DEBT, CONCLUDED

Annual debt service requirements to maturity for the above contract obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2014	\$ 609,304	\$ 186,258	\$ 795,562
2015	599,304	161,909	761,213
2016	580,832	137,407	718,239
2017	617,950	111,732	729,682
2018	655,832	266,174	922,006
2019-2023	1,488,744	87,444	1,576,188
2024-2025	74,130	2,136	76,266
	<u>\$ 4,626,096</u>	<u>\$ 953,060</u>	<u>\$ 5,579,156</u>

Interest expense of \$206,266 was charged to the sewer operations of the Township for the year ended March 31, 2013.

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; worker's compensation; and natural disaster. The Township participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, error and omissions, physical damage (equipment, building and contents) and work's compensations. Settlement amounts have not exceeded insurance coverage for the past four years.

NOTE 9. OPERATING LEASES

The Township did not have any operating or capital leases during the year.

NOTE 10. EDWARDSBURG POLICE DEPARTMENT LOAN

In fiscal year 2011, the Township advanced \$45,000 to the Edwardsburg Police Department to be repaid in two installments of \$22,500 on April 1, 2012 and 2013. An interest rate is to be established by the parties at time of payment under a separate agreement titled "interest rate agreement." The outstanding balance as March 31, 2013 is \$15,000.

Note 11. Wastewater Treatment Services with City of Elkhart

The Township and the Cass County Board of Public Works (“BPW”) are parties with the City of Elkhart (“Elkhart”) for sewage and wastewater treatment services. The original agreement was dated March 14, 2000, with amendments on August 15, 2000 and May 16, 2011. The BPW has made fixed capital buy-in payments that entitle the Township and BPW to an average daily flow rate that shall not exceed 515,000 gallons per day or 900 gallons per minute. The also have the option to purchase additional capacity to add an additional 155,000 gallons per day of average flow. The agreement is in place for twenty (20) years from the date of the 2nd amendment. The cost of these services for March 31, 2013 was \$250,531. In addition, the Township paid Elkhart a one-time fee of \$314,000 to increase capacity as it relates to the Granger Service Area agreement (see Note 12).

Note 12. Sanitary Sewage Disposal for Granger Service Area

Effective January 11, 2011, the Township and the St. Joseph County Regional Water & Sewer District (“District”) have entered into an agreement for the transmittal of District sewage through the Township’s sewer system to be processed by the Elkhart system. (See Note 11). The District will purchase a capacity of 75,000 gallons per day at a cost of \$3.14/gal for a total cost of \$235,500, with the option of purchasing an additional 60,000 gallons per day at the same multiplier. In addition, the District paid the Township a connection charge of \$219,450 prior to the start of service during fiscal 2013.

The monthly charge for treatment of the sewage will be \$2.94/1,000 gallons, with \$2.40 for the treatment by Elkhart and \$0.54 for transportation in the Township’s system.

Note 13. Adoption of New Accounting Principles

Effective April 1, 2012, the Township adopted the provisions of the accounting pronouncement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates the deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of this standard did not result in restatement or reclassification of opening net position or fund balances.

Note 14. Pending Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning April 1, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED March 31, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues				
Tax revenues	\$ 163,843	\$ 163,843	\$ 199,869	\$ 36,026
Intergovernmental revenue from State	307,000	307,000	385,724	78,724
Fines and Forfeits	13,000	13,000	12,647	(353)
Licenses and Permits	38,625	38,625	44,117	5,492
Franchise Fees	35,000	35,000	57,675	22,675
Interest and Rents	700	700	1,325	625
Administrative Fees	-	-	11,407	11,407
Other Revenue	28,720	28,720	19,306	(9,414)
Total Revenues	<u>\$ 586,888</u>	<u>\$ 586,888</u>	<u>\$ 732,070</u>	<u>\$ 145,182</u>
Expenditures				
General Government:				
Legislative	\$ 255,808	\$ 255,808	\$ 109,796	\$ 146,012
Chief Executive	81,700	81,700	64,274	17,426
Treasurer	28,200	28,200	21,297	6,903
Assessing Equalization	37,800	37,800	30,653	7,147
Clerk	27,900	27,900	22,132	5,768
Elections	19,500	19,500	9,304	10,196
Building and Grounds	36,950	36,950	17,129	19,821
All other	5,700	5,700	4,260	1,440
Public Safety:				
Police	174,140	174,140	173,875	265
Ambulance/Fire	240	240	140	100
Building inspections	51,200	51,200	40,658	10,542
Public Works:				
Electric Utilities	11,000	11,000	10,436	564
Roads	100,000	100,000	98,957	1,043
All Other	10,000	10,000	5,785	4,215
Recreation and Culture:				
Parks and Recreation	5,000	5,000	545	4,455
Community and Economic Development:				
Community Planning and Zoning	32,750	32,750	8,386	24,364
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 877,888</u>	<u>\$ 877,888</u>	<u>\$ 617,627</u>	<u>\$ 260,261</u>
Excess (Deficit) Revenues Over (Under) Expenditures	\$ (291,000)	\$ (291,000)	\$ 114,443	\$ 405,443
Fund Balance- Beginning of Year	705,556	705,556	705,556	-
Fund Balance - End of Year	<u>\$ 414,556</u>	<u>\$ 414,556</u>	<u>\$ 819,999</u>	<u>\$ 405,443</u>

**BUDGETARY COMPARISON SCHEDULE
POLICE FUND
FOR THE YEAR ENDED March 31, 2013**

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes and Penalites	\$ 388,536	\$ 388,536	\$ 445,147	\$ 56,611
Total Revenues	<u>\$ 388,536</u>	<u>\$ 388,536</u>	<u>\$ 445,147</u>	<u>\$ 56,611</u>
Expenditures				
Public Safety	\$ 388,536	\$ 388,536	\$ 445,147	\$ (56,611)
Total Expenditures	<u>\$ 388,536</u>	<u>\$ 388,536</u>	<u>\$ 445,147</u>	<u>\$ (56,611)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance- Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BUDGETARY COMPARISON SCHEDULE-
FIRE/AMBULANCE FUND
FOR THE YEAR ENDED March 31, 2013**

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes and Penalties	\$ 388,536	\$ 388,536	\$ 445,147	\$ 56,611
Total Revenues	<u>\$ 388,536</u>	<u>\$ 388,536</u>	<u>\$ 445,147</u>	<u>\$ 56,611</u>
Expenditures				
Public Safety	\$ 388,536	\$ 388,536	\$ 445,147	\$ (56,611)
Total Expenditures	<u>\$ 388,536</u>	<u>\$ 388,536</u>	<u>\$ 445,147</u>	<u>\$ (56,611)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance- Beginning of Year	-	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



To the Board of Trustees and Management
of Ontwa Township

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of Ontwa Township, Michigan as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Ontwa Township, 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 Ontwa Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontwa Township, 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 material weaknesses and another deficiency that we consider to be a significant deficiency.

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

Financial Statement Preparation

Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and the related footnotes. The staff at the Township does not understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the Township that management, prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting.

Material Audit Adjustments

During the audit there were material adjustments that were proposed by the auditors. Management is responsible for establishing and maintaining internal controls that result in the fair presentation of the financial statements. Since the independent auditors proposed these adjustments, a material weakness has occurred.


David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

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

Segregation of Duties

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

This communication is intended solely for the information and use of management, the 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.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan
August 9, 2013