

TOWNSHIP OF HOPKINS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Fiscal Year Ended March 31, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Hopkins Township, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Township of Hopkins as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hopkins'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Township of Hopkins as of March 31, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2012 on our consideration of the Township of Hopkins's internal control over financial reporting and 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 conjunction with this report in considering the results of our audit.

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.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name.

Gabridge & Company, PLC
Grand Rapids, MI
October 26, 2012

Management's Discussion and Analysis

As management of the Township of Hopkins, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of this fiscal year by \$1,867,177 (shown as *Net Assets*), representing an increase of \$54,867 over the previous fiscal year. Of this amount, \$1,083,436 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Township received \$478,841 in revenues and incurred \$423,974 in expenses, resulting in an increase in net assets of approximately \$54,867.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,078,085 or 253 percent of the General Fund's annual expenditures.

Overview of the Financial Statements

The Township of Hopkins's financial statements consist of three components; 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements The *Government-wide Financial Statements* are designed to provide a broad overview of the Township's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, the difference between the two being reported as the Net Assets of the Township. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave, prepaid expenses, etc.).

Both of these statements show functions of the Township that are principally supported by property taxes and intergovernmental revenues. Governmental activities of the Township include general government, public safety, public works, health and welfare, and community and economic development.

Focus on Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Township of Hopkins uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds. The Township reports only governmental funds.

Governmental Funds Many of the Township's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide financial statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Township include the General Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains the information presented in the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of Hopkins, assets exceeded liabilities by \$1,867,177 at the close of the most recent fiscal year. The following table illustrates the varying results of the governmental activities to capture the Township's total net assets.

Hopkins Township Net Assets as of March 31, 2012 and March 31, 2010

	Governmental Activities	
	2012	2010
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 1,223,635	\$ 1,163,525
Due From State	22,891	19,590
Due from Other Units	143,358	36,851
Prepaid Expenses	5,351	-
<i>Total Current Assets</i>	1,395,235	1,219,966
<i>Noncurrent Assets</i>		
Capital Assets (Net)	492,193	520,391
<i>Total Assets</i>	1,887,428	1,740,357
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	4,325	1,803
Accrued Salaries & Related Liabilities	5,926	7,654
Security Deposits Payable	10,000	10,000
<i>Total Current Liabilities</i>	20,251	19,457
NET ASSETS		
Invested in Fixed Assets	492,193	520,391
Restricted	291,548	189,734
Unrestricted	1,083,436	1,010,775
<i>Total Net Assets</i>	\$ 1,867,177	\$ 1,720,900

The most significant portion of the Township's net assets are restricted for specific purposes (e.g. roads, public safety, and lake projects). The Township has \$1,083,436 in unrestricted net assets. These assets represent resources that are available for appropriation, but are limited by the Township's policies regarding their use.

The total net assets of the Township increased by \$54,867 this fiscal year. The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the Government-wide Statement of Activities.

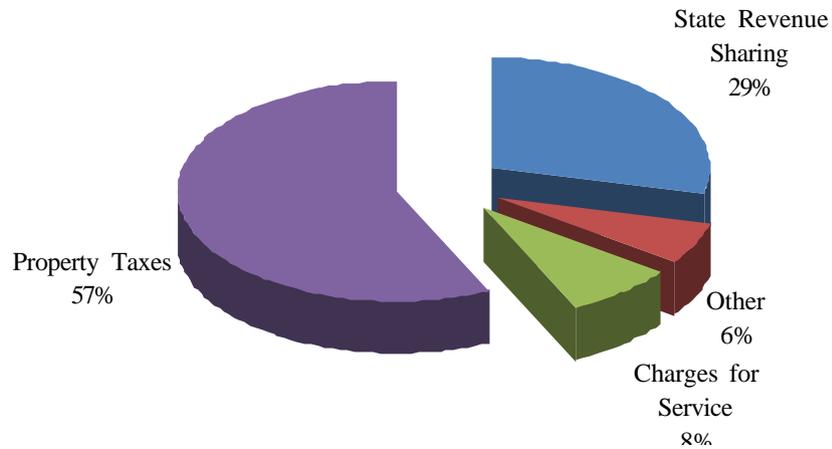
Hopkins Township
Change in Net Assets for Fiscal Year Ended March 31, 2012
and March 31, 2010

	Governmental Activities	
	2012	2010
Revenues		
Program Revenues		
Charges for Services	\$ 37,970	\$ 14,656
Operating Grants & Contributions	3,466	-
<i>Total Program Revenues</i>	<i>41,436</i>	<i>14,656</i>
General Revenues		
Property Taxes & Assessments	271,882	320,574
State Revenue Sharing	139,053	128,166
Interest Income	6,747	6,770
Other	19,723	14,743
<i>Total General Revenues</i>	<i>437,405</i>	<i>484,909</i>
Total Revenues	478,841	484,909
Expenses		
General Government	118,411	133,116
Public Safety	87,404	76,645
Public Works	188,461	72,638
Health & Welfare	6,395	2,277
Community & Economic Development	9,397	8,528
Recreation & Culture	2,806	5,818
Other	11,100	14,828
Total Expenses	423,974	313,850
Increase / (Decrease) in		
Net Assets	54,867	171,059
Net Assets at Beg. of Period	1,812,310	1,549,841
Net Assets at End of Period	\$ 1,867,177	\$ 1,720,900

Governmental Activities

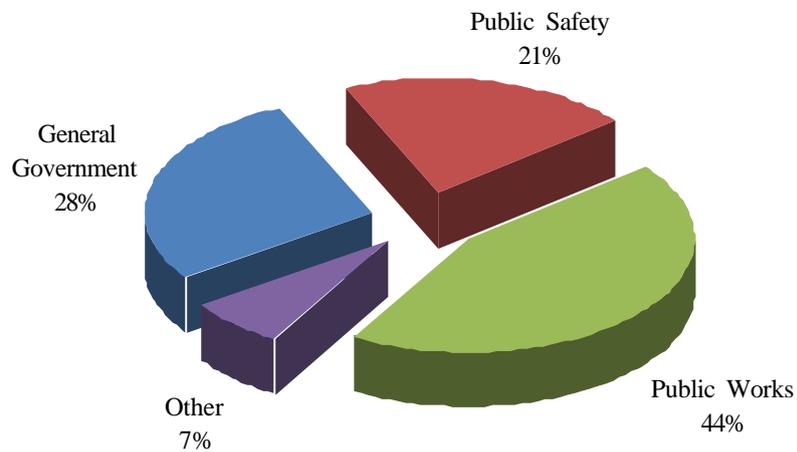
The following chart details the revenue sources for the governmental activities of the Township for the most recent fiscal year end:

Governmental Activities Revenues



The following chart details the major expense functions for the governmental activities of the Township for the most recent fiscal year end:

Governmental Activities Expenses



Financial Analysis of the Government's Funds

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

Governmental Activities At the completion of the Township's fiscal year, its governmental funds reported fund balances of \$1,374,984. Of this amount, \$1,078,085 or 78 percent is unassigned.

General Fund The General Fund is the main operating fund of the Township. The General Fund increased its balance in this fiscal year by \$52,087, bringing the balance to \$1,374,984.

Budget

Changes between the original and final amended budgets were minor during the year. The Township had no activities that had expenditures in excess of appropriations (budget).

Capital Assets

Capital Assets The Township's investment in capital assets for the governmental activities at year end amounted to \$492,193 (net of accumulated depreciation). This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for implementation of GASB Statement 34.

The following schedule summarizes capital assets.

Hopkins Township Capital Assets as of March 31, 2012

	Governmental Activities
Land	\$ 39,506
Buildings	81,116
Machinery & Equipment	373,664
Improvements	213,153
Subtotal	<u>707,439</u>
Accumulated Depreciation	<u>215,246</u>
Net Capital Assets	<u>\$ 492,193</u>

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2013 fiscal year. The Township budgeted for a decrease in state shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year.

Contacting the Township

This Financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Township.

Township of Hopkins
Township Clerk
142 E Main Street, PO Box 217
Hopkins, MI 49328

**Township of Hopkins
Statement of Net Assets
March 31, 2012**

	<u>Primary Government Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ 1,223,635
Due from State	22,891
Due from Other Units	143,358
Prepaid Insurance	5,351
<i>Total Current Assets</i>	<u>1,395,235</u>
<i>Noncurrent Assets</i>	
Fixed Assets - Net	492,193
<i>Total Assets</i>	<u>1,887,428</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	4,325
Payroll Liabilities	5,926
Security Deposit Payable	10,000
<i>Total Current Liabilities</i>	<u>20,251</u>
NET ASSETS	
Invested in Fixed Assets	492,193
<i>Restricted for:</i>	
NE Lake	4,339
Roads	137,459
Fire	146,750
Cemetery	3,000
<i>Unrestricted</i>	1,083,436
<i>Total Net Assets</i>	<u>\$ 1,867,177</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Statement of Activities
For the Year Ended March 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government				
Governmental Activities:				
General Government	\$ 118,411	\$ 28,323	\$ --	\$ (90,088)
Public Safety	87,404	9,057	--	(78,347)
Public Works	188,461	--	3,466	(184,995)
Health & Welfare	6,395	--	--	(6,395)
Community & Economic Development	9,397	--	--	(9,397)
Recreation & Culture	2,806	590	--	(2,216)
Other	11,100	--	--	(11,100)
<i>Total Primary Government</i>	<u>\$ 423,974</u>	<u>\$ 37,970</u>	<u>\$ 3,466</u>	<u>\$ (382,538)</u>

**General Purpose Revenues and
Revenues**

Property Taxes	271,882
State Revenue Sharing	139,053
Interest Income	6,747
Other Income	19,723
Transfers	--
<i>Total General Revenues and Change in Net Assets</i>	<u>437,405</u>
<i>Net Assets at Beginning of Period</i>	<u>1,812,310</u>
<i>Net Assets at End of Period</i>	<u>\$ 1,867,177</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Balance Sheet
Governmental Funds
March 31, 2012**

	General
ASSETS	
Cash	\$ 1,223,635
Due from State	22,891
Due from Other Units	143,358
Prepaid Insurance	5,351
<i>Total Assets</i>	\$ 1,395,235
LIABILITIES	
Accounts Payable	\$ 4,325
Payroll Liabilities	5,926
Security Deposit Payable	10,000
<i>Total Liabilities</i>	20,251
FUND BALANCE	
Nonspendable	5,351
Restricted	291,548
Unassigned	1,078,085
<i>Total Fund Balance</i>	1,374,984
<i>Total Liabilities and Fund Balance</i>	\$ 1,395,235

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
March 31, 2012

Total Fund Balance - Governmental Funds	\$ 1,374,984
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$707,439 net of accumulated depreciation of \$215,246	492,193
Total Net Assets - Governmental Funds	\$ <u>1,867,177</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2012

	General
Revenues	
Property Taxes	\$ 271,882
Licenses & Permits	9,057
State Revenue Sharing	142,519
Charges for Services	28,313
Interest Income	6,747
Other Income	20,323
<i>Total Revenues</i>	478,841
Expenditures	
General Government	111,351
Public Safety	77,368
Public Works	163,481
Health & Welfare	6,395
Community & Economic Development	9,397
Recreation & Culture	2,806
Capital Outlay	44,856
Other	11,100
<i>Total Expenditures</i>	426,754
<i>Excess of Revenues Over</i> <i>(Under) Expenditures</i>	52,087
Other Financing Sources (Uses)	
Transfers from Other Funds	--
Transfers to Other Funds	--
<i>Net Other Financing Sources (Uses)</i>	--
<i>Net Change in Fund Balance</i>	52,087
<i>Fund Balance at Beginning of Period</i>	1,322,897
<i>Fund Balance at End of Period</i>	\$ 1,374,984

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	52,087
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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 and reported as depreciation expense. This amount represents capital outlay expenditures of \$44,856 less depreciation expense of \$42,076

		2,780
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Changes in Net Assets - Governmental Funds	\$	<u>54,867</u>
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The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2012**

	<u>Agency</u>
	<u>Tax</u>
ASSETS	
Cash	\$ 111,975
Taxes Receivable	16,452
Due from Other Units	<u>14,931</u>
<i>Total Assets</i>	<u>143,358</u>
LIABILITIES	
Due to Other Units	<u>143,358</u>
<i>Total Liabilities</i>	<u>143,358</u>
NET ASSETS	
Held in Trust	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins

Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

Reporting Entity

The Township of Hopkins, Allegan County, Michigan was organized in 1852 and covers an area of approximately 36 square miles. The Township operates under an elected Board of Trustees (5 members) and provides services such as general government, recreation & culture, public safety, public works, health & welfare, and community & economic development to its residents.

The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part, controlled by or dependent on the Township. The criterion used to determine the reporting entity is "the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials". As such, the Township has no other agencies reported as Component Units of the Township which requires a discreet presentation in accordance with GASB 14.

Government-wide and Fund Financial Statements

The Government-wide financial statements (e.g., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Township only reports governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 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 revenues are reported instead as general revenue.

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

Township of Hopkins

Notes to the Financial Statements

Basis of Presentation

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 31, 1989.

Government-wide Financial Statements

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: 1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; 2) operating grants and contributions which finance annual operating activities including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses taxes and other revenue sources not included as program revenues are reported as general revenues. General revenues include all taxes.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred,

Township of Hopkins

Notes to the Financial Statements

except for general obligation bond principal and interest which are reported as expenditures in the year due.

Fund Types and Major Fund

The accounting policies of the Township conform to generally accepted accounting principles and include the following fund types:

Government fund types use modified accrual basis and include:

The *General Fund* accounts for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Fiduciary fund types use accrual basis and include:

The *Trust and Agency Fund* is not budgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

Assets, Liabilities, and Fund Equity

Cash

Cash is considered to be cash on hand, demand deposits, and certificates of deposit.

Receivables & Payables

In general, outstanding balances between funds are reported as “due to / from other funds.” Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to / from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances.”

Property tax revenues / receivables are recognized as follows:

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

Township of Hopkins

Notes to the Financial Statements

Inventories & Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Fixed Assets

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciation for the government funds is computed using the straight-line method over the following useful lives:

<u>Decription</u>	<u>Method</u>	<u>Life</u>
Buildings	Straight Line	40 to 60 Years
Buildings & Improvements	Straight Line	15 to 30 Years
Land Improvements	Straight Line	15 to 30 Years
Vehicles	Straight Line	3 to 5 Years
Office Equipment	Straight Line	5 to 7 Years
Machinery & Equipment	Straight Line	3 to 20 Years

Compensated Absences

There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the government.

Fund Equity

In the fund financial statements, fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which the amounts can be spent:

Nonspendable – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained directly.

Restricted – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

Township of Hopkins

Notes to the Financial Statements

Committed – amounts that are committed for specific purposes by the Board, as the Township’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – amounts that are constrained by the Township’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

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. Management has determined that there are no subsequent events or contingent liabilities that would have a significant impact on the financial condition of the Township as of the date of this report.

Comparative Data - Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2 - Budgets and Budgetary Accounting

The General Fund is under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board. Budgeted amounts are as originally adopted, or as amended by the Township’s board from time to time throughout the year. The budget document presents information by fund, function, department

Township of Hopkins

Notes to the Financial Statements

and line items. The legal level of budgetary control adopted by the Township is the line item level.

The Township had no expenditures in excess of appropriations for the year.

NOTE 3 – Deposits and Investments

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

- Direct obligations of the United States or an agency or instrumentality of the United States.
- In any account or depository which is a member of the FDIC or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
- Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more than 270 days following the date of purchase.
- In United States Government of federal agency obligations repurchase agreements.
- In bankers acceptances of the United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

The Township Board has designated two banks for deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 and has currently authorized investments in bank accounts, CD's, and repurchase agreements.

Deposits

Deposits of the Township are authorized by the Township Board. All funds of the Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet accounts for all funds and includes cash, investments and imprest (petty cash) funds. The balances were reported as follows:

	Governmental Activities	Tax Account
Cash & Cash Equivalents	\$ 1,223,635	\$ 111,975

Township of Hopkins

Notes to the Financial Statements

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	Bank Balance	Carrying Amount
Amount Insured by the FDIC	\$ 504,489	\$ 504,489
Amount Uncollateralized and Uninsured	845,248	831,121
	\$ 1,349,737	\$ 1,335,610

NOTE 4 - Capital Assets

Capital asset activity for the Township for the year was as follows:

	March 31, 2011	Additions	Reductions	March 31, 2012
Governmental Activities - Capital Assets				
Capital Assets not Being Depreciated - Land	\$ 39,506	-	-	39,506
Capital Assets Being Depreciated				
Buildings	81,116	-	-	81,116
Machinery & Equipment	328,808	44,856	-	373,664
Improvements	213,153	-	-	213,153
Total Capital Assets Being Depreciated	623,077	44,856	-	667,933
Less Accumulated Depreciation:				
Buildings	32,686	2,028	-	34,714
Machinery & Equipment	107,297	24,673	-	131,970
Improvements	33,187	15,375	-	48,562
Total Accumulated Depreciation	173,170	42,076	-	215,246
Total Capital Assets - Governmental Activities	\$ 489,413	\$ 2,780	\$ -	\$ 492,193

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 7,060
Public Safety	10,036
Public Works	24,980
Total Governmental Activities	\$ 42,076

Township of Hopkins

Notes to the Financial Statements

NOTE 5 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 6 - Interlocal Fire Protection Agreement

On November 4, 1993, the Township of Hopkins entered into a fire protection agreement along with the Village of Hopkins and the Township of Watson. The general purpose of this agreement is to provide basic fire protection services throughout the Hopkins Fire District as defined in the agreement. This agreement created and established the Hopkins Fire Board as a separate administrative entity and public body and grant the Board the authority to govern fire protection and other designated emergency services as allowed by the terms of the agreement. Each member unit is required to contribute funds on a quarterly basis toward the operations of the Fire Board. Each unit's share is adjusted annually and is based upon a formula as provided for in the agreement. This agreement shall continue for a term of five years commencing April 1, 2000 and ending on March 31, 2006. This agreement shall be automatically renewed as to each unit for additional successive terms of five years each, unless a member unit withdraws in accordance with the agreement provisions.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Hopkins
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Property Taxes	\$ 268,620	\$ 272,058	\$ 271,882	\$ (176)
Permits & Inspections	10,000	10,000	9,057	(943)
State Revenue Sharing	133,700	133,700	142,519	8,819
Charges for Services	34,050	34,050	28,313	(5,737)
Interest & Penalties	10,525	10,525	6,747	(3,778)
Other	3,850	3,850	20,323	16,473
<i>Total Revenues</i>	<u>460,745</u>	<u>464,183</u>	<u>478,841</u>	<u>14,658</u>
Other Financing Sources				
<i>Total Revenues and Other Financing Sources</i>	<u>460,745</u>	<u>464,183</u>	<u>478,841</u>	<u>14,658</u>
Expenditures				
General Government				
Township Board	4,500	3,390	3,380	10
Executive	12,812	12,462	12,461	1
Clerk	14,712	13,612	13,542	70
Auditing	300	300	300	--
Board of Review	1,100	1,335	1,335	--
Treasurer	17,648	16,648	16,551	97
Assessor	19,640	18,740	18,698	42
Elections	2,300	1,410	1,407	3
Cemetery	13,732	14,282	13,264	1,018
Other General Government	40,500	37,205	30,413	6,792
<i>Total General Government</i>	<u>127,244</u>	<u>119,384</u>	<u>111,351</u>	<u>8,033</u>
Public Safety				
Fire	134,870	134,870	109,726	25,144
Permits	9,000	12,500	12,498	2
<i>Total Public Safety</i>	<u>143,870</u>	<u>147,370</u>	<u>122,224</u>	<u>25,146</u>

Township of Hopkins
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended March 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Public Works				
Drains	2,500	7,200	7,150	50
Roads	169,700	169,700	154,009	15,691
Street Lights	2,100	2,350	2,322	28
Total Public Works	<u>174,300</u>	<u>179,250</u>	<u>163,481</u>	<u>15,769</u>
Health & Welfare	<u>8,500</u>	<u>8,500</u>	<u>6,395</u>	<u>2,105</u>
Community & Economic Development				
Planning Commission	6,700	8,950	7,975	975
Board of Appeals	2,450	2,450	1,422	1,028
Total Community & Economic Development	<u>9,150</u>	<u>11,400</u>	<u>9,397</u>	<u>2,003</u>
Recreation & Culture - Parks	<u>4,000</u>	<u>4,000</u>	<u>2,806</u>	<u>1,194</u>
Other	<u>19,720</u>	<u>16,880</u>	<u>11,100</u>	<u>5,780</u>
Total Expenditures	<u>486,784</u>	<u>486,784</u>	<u>426,754</u>	<u>60,030</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>486,784</u>	<u>486,784</u>	<u>426,754</u>	<u>60,030</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(26,039)</u>	<u>(22,601)</u>	<u>52,087</u>	<u>74,688</u>
Net Change in Fund Balance and Other Uses	<u>(26,039)</u>	<u>(22,601)</u>	<u>52,087</u>	<u>74,688</u>
Net Change in Fund Balance	<u>(26,039)</u>	<u>(22,601)</u>	<u>52,087</u>	<u>74,688</u>
Fund Balance at Beginning of Period	<u>1,322,897</u>	<u>1,322,897</u>	<u>1,322,897</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 1,296,858</u>	<u>\$ 1,300,296</u>	<u>\$ 1,374,984</u>	<u>\$ 74,688</u>



October 26, 2012

To the Township Board
Hopkins Township, Michigan

We have audited the financial statements of the governmental activities and the General Fund of the Township of Hopkins, Michigan for the year ended March 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 19, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Hopkins are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. 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 Hopkins's financial statements was:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 26, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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



Gabridge & Company, PLC
Grand Rapids, MI



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

October 26, 2012

To the Township Board
Township of Hopkins

We have audited the financial statements of the governmental activities and the General Fund of the Township of Hopkins, Michigan as of and for the year ended March 31, 2012, which collectively comprise the Township of Hopkins's basic financial statements and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Hopkins'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 of the effectiveness of the Township of Hopkins's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Hopkins's internal control over financial reporting.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be a material weakness – 2012-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Hopkins'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township of Hopkins's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township of Hopkins's responses and, accordingly, we express no opinion on it.

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

Best regards,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC

Township of Hopkins

Schedule of Findings and Responses

Material Weaknesses

2012-1 – Preparation of Governmental Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition/Finding: As is the case with many smaller and medium sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls. In addition, we proposed, and management approved, material journal entries to properly record accounts receivable, accounts payable, payroll liabilities and capital asset (capital outlay) transactions in the governmental funds.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally .

Effect: As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Township's records were initially misstated by an amount material to the financial statements.

View of Responsible Officials: It is the Township's intent to improve upon the internal controls so that the financial statements are prepared in accordance with GAAP. The Township is working with the auditor to enable the Township to prepare GAAP financial statements internally.