Acme Township
Grand Traverse County, Michigan

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2011

Dennis, Gartland & Niergarth

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Acme Township
Management Discussion and Analysis (Unaudited)
June 30, 2011

Our discussion and analysis of Acme Township, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2011.

- Property taxes related to the Township's governmental activities increased by approximately $9,500.

- Total net assets related to the Township's governmental activities increased by approximately $187,000 due to the shoreline grants receivable, and the unrestricted portion of net assets decreased by approximately $5,000.

The Township's net assets increased by $515,821 or 3.2% in 2011 with the increase made up of the following:

Governmental net assets increased by $187,027.
Business-type net assets increased by $328,794.

Total revenues and transfers for the year are $2,941,814 and are made up of the following:

Governmental activities $1,886,152.
Business-type activities $1,055,662.

Total expenses for the year are $2,425,993 and are made up of the following:

Governmental activities $1,699,125.
Business-type activities $726,868.

The General Fund on a current financial resources basis experienced an increase of $86,321 in fund balance resulting in a total fund balance at year-end of $989,250.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets 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. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

Summary of Net Assets
(in thousands of dollars)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	$2,622	$5,475	$ 862	$ 536	$ 3,484	$ 6,011
Capital assets	8,518	8,458	7,688	7,933	16,206	16,391
Total assets	$11,140	$13,933	$8,550	$8,469	$19,690	$22,402
Current liabilities	$ 85	$ 3,065	$414	$362	$ 499	$ 3,427
Long-term debt outstanding	-	-	2,588	2,889	2,588	2,889
Total liabilities	$ 85	$ 3,065	$3,002	$3,251	$ 3,087	$ 6,316
Net assets:						
Invested in capital assets, net of related debt	$8,518	$5,446	$4,817	$4,770	$ 13,335	$ 10,216
Restricted						
Public Broadcasting Equipment	7	-				
PA 428 Metro Act	31	-				
Fire Operations	303	258	-	-	303	258
Farmland Preservation	872	624	-	-	872	624
Police Protection	180	163	-	-	180	163
Shoreline Preservation	43	3,263	-	-	43	3,263
Township Improvement	30	-	-	-	30	-
Liquor Enforcement	12	12	-	-	12	12
New Urbanist Town Center	28	28	-	-	28	28
Unrestricted	1,031	1,074	731	448	1,800	1,522
Total net assets	$11,055	$10,868	$5,547	$5,218	$16,603	$16,086

Financial Analysis - continued

The Township's combined net assets increased 3.0% from a year ago - increasing from $16.1 million to $16.6 million. As we look at the governmental activities separately from the business-type activities, we can see that the net assets of the governmental activities increased by approximately $187,000 and net assets of business-type activities increased by approximately $329,000. Unrestricted business-type net assets increased by $304,000.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by approximately $43,000, for the governmental activities. This represents a decrease of approximately 4%. The current level of unrestricted net assets for our governmental activities stands at $1.0 million, or about 61.0% of expenditures.

Changes in Net Assets
(in thousands of dollars)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	$ 197	$ 245	$ 1,032	$ 850	$ 1,229	$ 1,095
Capital grants and contributions	-	3,657	-	-	-	3,657
General revenue:						
Property taxes	1,226	1,217	-	-	1,226	1,217
State-shared revenue	312	275	-	-	312	275
Unrestricted investment earnings	6	10	2	3	8	13
Transfers and other revenue	144	105	22	1	166	106
Total revenues	1,885	5,509	1,056	854	2,941	6,363
Expenses						
Program expenses:						
Legislative	249	249	-	-	249	249
General government	269	263	-	-	269	263
Public safety	723	828	-	-	723	828
Community and economic development	33	568	-	-	33	568
Recreation and culture	382	190	-	-	382	190
Water and sewer	-	-	727	798	727	798
Other	15	14	-	-	15	14
Debt service - interest	27	-			27	-
Total program expenses	1,698	2,112	727	798	2,425	2,910
Changes in net assets	187	3,397	329	56	516	3,453
Net assets-beginning of year	10,868	7,471	5,218	5,162	16,086	12,633
Net assets-end of year	$11,055	$10,868	$5,547	$5,218	$16,602	$16,086

Governmental Activities

The Township's total governmental revenues decreased by approximately $3,422,000. The decrease, which represents 53.7%, was primarily due to decrease in capital grants and contributions for the Shoreline Preservation Project.

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Fund. The Grand Traverse County Department of Public Works (GTDPW) provides water services to the residents of Grand Traverse County, including Acme Township. GTDPW bills the residents for these services and passes the related funds on to the Township.

The Township entered into a master sewer agreement with the City of Traverse City and various townships in Grand Traverse and Leelanau Counties, as well as Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. The Township pays an amount sufficient to cover its pro rata share of treatment plant costs, as determined by its volume of sewage treated in relation to total sewage treated at the plant.

Revenue and expenses from the sale of water and sewage disposal were approximately $1,032,000 and $347,000, respectively, for the year ended June 30, 2011. Additional costs incurred in relation to both water and sewer included depreciation expense of approximately $245,000 and interest expense of $135,000.

Revenue and expenses from the sale of water and sewage disposal were approximately $850,000 and $412,000, respectively, for the year ended June 30, 2010. Additional costs incurred in relation to both water and sewer included depreciation expense of approximately $245,000 and interest expense of $141,000.

The Township's Funds

Our analysis of the Township's major funds follows 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 millages. The Township's major funds for 2011 include the General Fund, Fire Fund, Farmland Preservation Fund, Shoreline Preservation Fund, Debt Service Fund and Water and Sewer Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. Revenues were increased by approximately $132,000 and legislative expenditures were both increased by approximately $103,000 primarily due to receipt of grants from the Grand Traverse Band of Ottawa & Chippewa Indians and the disbursement of most of those grant funds to community agencies with whom the township contracted for historical preservation and community promotion services for the township. A net amount of approximately $30,000 was retained by the township for general operating expenses. Planning & Zoning expenditures were decreased by approximately $102,000 due to a full-time staff planner position that remained vacant throughout the fiscal year (now filled) and the deferment of several major planning project expenses. Combined with other smaller budget adjustments in various departments, this produced an overall increase in the General Fund's fund balance from approximately $903,000 a year ago to $990,000 at June 30, 2011.

The Township has been saving money to provide a safety net for continued general operations in an economic environment where traditional revenue streams are threatened.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the Township had $16.2 million invested in a broad range of capital assets, including land, buildings, and water and sewer lines.

Debt

At the end of this year, the Township had $2.9 million in debt outstanding versus $6.2 million in the previous year - a change of 46.5%. Short-term debt of $3 million related to the Shoreline Project was paid off in the current year with grant proceeds.

Economic Factors and Next Year's Budgets and Rates

For the 2011-2012 fiscal year, the Township has budgeted for an increase of approximately $80,000 in revenue from 2010-2011 in the General Fund, primarily due to anticipated receipt of the final installment of a 2008 Michigan Natural Resources Trust Fund grant used for the purchase of additional public East Bay Shoreline Parkland.

The Township has projected General Fund Expenditures of $710,404 for the 2011-12 fiscal year, a decrease of $123,000 from actual expenditures in the 2010-11 fiscal year. The Board of Trustees maintains a strong commitment to a balanced budget whereby current year revenues match or exceed current year operating expenditures.

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.

DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

415 Munson Avenue, P.O. Box 947
Traverse City, Michigan 49685-1947
231.946.1722 ph, 231.946.2762 fax
www.dgncpa.com

Thomas E. Gartland, CPA
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Acme Township

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of ***Acme Township*** (the "Township") as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Acme Township as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through v and 34 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's financial statements as a whole. The combining non-major fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennis, Gartland & Niergarth

December 6, 2011

DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

415 Munson Avenue, P.O. Box 947
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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*

Board of Trustees
Acme Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of ***Acme Township*** (the "Township") as of and for the year ended June 30, 2011, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

Reporting Financial Data

Criteria: All Michigan townships are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the Township'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: As is the case with many smaller and medium-sized entities, the Township has at times 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, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

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

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task.

Management's Response: The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to work with its external auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Segregation of Duties

Criteria: Adequate segregation of duties for the Township is necessary to minimize the likelihood that fraud or errors could occur and not be detected.

Condition: The Township has not achieved a complete segregation of duties among employees who have both access to assets and accounting responsibilities.

Cause: The small size of the administrative staff creates an inherent lack of segregation of duties.

Effect: As a result of this condition, the Township lacks proper segregation of duties and is exposed to an increased risk of misstatement of its financial statements.

Management's Response: The Township has evaluated the manner in which they segregate duties and has implemented certain measures. However, the cost associated with adding additional staff to achieve a complete segregation is not justified by the expected benefits.

Bank Reconciliations

Criteria: Bank accounts should be reconciled and all cash adjustments be recorded monthly on the general ledger.

Condition: The bank reconciliations were attempted, but could not be reconciled.

Cause: Bank reconciliation differences identified were not investigated or recorded as cash adjustments on the general ledger.

Effect: As a result of this condition, audit adjustments of $78,000 were recorded to reduce the general ledger cash to the reconciled balance.

Management's Response: The Treasurer has always been reconciled with the bank. A reversal entry to the prior fiscal year in the month of April 2011 made the Clerk's general ledger numbers off with the Treasurer. Going forward, differences should be easier to find with a new report printed out for both parties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standard*s.

Shoreline Preservation Fund Budget Deficit

Criteria: The State of Michigan requires all local units of government shall not incur a deficit fund balance.

Condition: The Township has incurred a deficit fund balance of $241,375 in the Shoreline Preservation Fund at June 30, 2011.

Cause: Unavailable grants receivable of $284,732 were not received within 60 days of year-end, and were deferred for the fund financial statements.

Effect: The Shoreline Preservation Fund had a negative fund balance under the modified accrual basis of accounting.

Management's Response: Grant funds will be received in the year ending June 30, 2012 which will offset the negative fund balance.

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

Dennis, Gartland & Niergarth

December 6, 2011

Acme Township

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 2,128,369	$ 509,606	$ 2,637,975
Receivables			
Accounts, net	209,702	351,854	561,556
Grants	284,732	-	284,732
Internal balances	4	(4)	-
Total current assets	2,622,807	861,456	3,484,263
Non-current assets			
Capital assets	8,780,653	12,260,679	21,041,332
Less accumulated depreciation	(262,756)	(4,572,565)	(4,835,321)
Total non-current assets	8,517,897	7,688,114	16,206,011
Total assets	$ 11,140,704	$ 8,549,570	$ 19,690,274
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities			
Accounts payable	$ 54,970	$ 33,070	$ 88,040
Accrued and other liabilities	30,401	25,270	55,671
Due to other governmental units	-	72,408	72,408
Current portion of long-term debt	-	282,953	282,953
Total current liabilities	85,371	413,701	499,072
Noncurrent liabilities			
Long-term debt	-	2,588,535	2,588,535
Total liabilities	85,371	3,002,236	3,087,607
NET ASSETS			
Invested in capital assets, net of related debt	8,517,897	4,816,626	13,334,523
Restricted			
Public Broadcasting equipment	6,864	-	6,864
PA 428 Metro Act	30,504	-	30,504
Fire operations	302,586	-	302,586
Farmland Preservation	872,386	-	872,386
Shoreline Preservation	43,357	-	43,357
Police Protection	180,208	-	180,208
New Urbanist Town Center	27,714	-	27,714
Liquor enforcement	12,362	-	12,362
Township Improvement	30,034	-	30,034
Unrestricted	1,031,421	730,708	1,762,129
Total net assets	11,055,333	5,547,334	16,602,667
Total liabilities and net assets	$ 11,140,704	$ 8,549,570	$ 19,690,274

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

Acme Township

STATEMENT OF ACTIVITIES

Year ended June 30, 2011

Functions/Program	Expenses	Program Revenues: Charges For Services	Net Revenue (Expense) and Changes in Net Assets — Primary Government: Governmental Activities	Business-type Activities	Total
Primary Government					
Governmental activities					
Legislative	$ 249,423	$ -	$ (249,423)	$ -	$ (249,423)
General government	268,698	113,681	(155,017)	-	(155,017)
Public safety	722,955	83,304	(639,651)	-	(639,651)
Community and economic development	33,142	-	(33,142)	-	(33,142)
Recreation and culture	382,676	-	(382,676)	-	(382,676)
Other	15,458	-	(15,458)	-	(15,458)
Debt service - interest	26,773	-	(26,773)	-	(26,773)
Total governmental activities	1,699,125	196,985	(1,502,140)	-	(1,502,140)
Business-type activities					
Water and sewer	726,868	1,055,316	-	328,448	328,448
Total primary government	$ 2,425,993	$ 1,252,301	(1,502,140)	328,448	(1,173,692)
General revenues					
Property taxes			1,226,348	-	1,226,348
State-shared revenues			312,181	-	312,181
Unrestricted interest and investment earnings			6,319	2,197	8,516
Miscellaneous			141,888	580	142,468
Transfers			2,431	(2,431)	-
Total general revenues and transfers			1,689,167	346	1,689,513
Change in net assets			187,027	328,794	515,821
Net assets, beginning of year			10,868,306	5,218,540	16,086,846
Net assets, end of year			$ 11,055,333	$ 5,547,334	$ 16,602,667

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

Acme Township

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Fire Fund	Farmland Preservation Fund	Shoreline Preservation Fund	Other Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 648,832	$ 302,586	$ 872,386	$ 43,357	$ 261,208	$ 2,128,369
Receivables						
Accounts, net	122,778	-	-	-	2,663	125,441
Grants	-	-	-	284,732	-	284,732
Due from other funds	368,997	-	-	-	-	368,997
Total assets	$ 1,140,607	$ 302,586	$ 872,386	$ 328,089	$ 263,871	$ 2,907,539
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 54,920	$ -	$ -	$ -	$ 50	$ 54,970
Accrued and other liabilities	30,401	-	-	-	-	30,401
Due to other funds	-	-	-	284,732	-	284,732
Deferred revenue	65,766	-	-	284,732	2,663	353,161
Total liabilities	151,087	-	-	569,464	2,713	723,264
FUND BALANCES						
Restricted	37,368	-	-	-	-	37,368
Restricted for special revenue funds	-	302,586	872,386	-	250,318	1,425,290
Committed	353,242	-	-	-	10,805	364,047
Assigned	126,920	-	-	-	35	126,955
Unassigned	471,990	-	-	(241,375)	-	230,615
Total fund balances	989,520	302,586	872,386	(241,375)	261,158	2,184,275
Total liabilities and fund balances	$ 1,140,607	$ 302,586	$ 872,386	$ 328,089	$ 263,871	

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:	
Grants receivable not available to pay for current period expenditures that are deferred to the following fiscal year	284,732
Special assessment receivables are expected to be collected over several years and are not available for current-year expenditures	68,429
Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,517,897
Total net assets - governmental activities	$ 11,055,333

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

Acme Township

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

Year ended June 30, 2011

	General Fund	Fire Fund	Farmland Preservation Fund	Shoreline Preservation Fund	Debt Service Fund	Other Non-Major Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 219,589	$ 649,377	$ 276,219	$ -	$ -	$ 81,163	$ 1,226,348
Licenses and permits	73,888	-	-	-	-	9,416	83,304
State-shared revenues and grants	312,181	-	-	2,562,381	-	-	2,874,562
Charges for services	113,056	-	-	-	-	1,350	114,406
Interest	2,454	-	3,215	93	-	557	6,319
Other	137,526	-	-	3,571	-	5,202	146,299
Total revenues	858,694	649,377	279,434	2,566,045	-	97,688	4,451,238
EXPENDITURES							
Current							
Legislative	249,423	-	-	-	-	-	249,423
General government	243,800	-	-	-	-	2,412	246,212
Public safety	44,613	604,744	-	-	-	73,598	722,955
Community and economic development	1,740	-	31,402	-	-	-	33,142
Recreation and culture	101,753	-	-	70,844	-	1,665	174,262
Other	13,056	-	-	3,127	-	-	16,183
Capital outlay	38,425	-	-	18,629	-	74,175	131,229
Debt service - principal	-	-	-	-	3,012,500	-	3,012,500
Debt service - interest	-	-	-	-	26,773	-	26,773
Total expenditures	692,810	604,744	31,402	92,600	3,039,273	151,850	4,612,679
REVENUES OVER (UNDER) EXPENDITURES	165,884	44,633	248,032	2,473,445	(3,039,273)	(54,162)	(161,441)
OTHER FINANCING SOURCES (USES)							
Operating transfers in	62,216	-	-	141,779	3,039,273	83,591	3,326,859
Operating transfer out	(141,779)	-	-	(3,113,448)	-	(69,201)	(3,324,428)
Total other financing sources (uses)	(79,563)	-	-	(2,971,669)	3,039,273	14,390	2,431
NET CHANGE IN FUND BALANCES	86,321	44,633	248,032	(498,224)	-	(39,772)	(159,010)
Fund balance, beginning of year	903,199	257,953	624,354	256,849	-	300,930	2,343,285
Fund balance, end of year	$ 989,520	$ 302,586	$ 872,386	$ (241,375)	$ -	$ 261,158	$ 2,184,275

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

Acme Township

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

Year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	$ (159,010)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Loss on disposal of capital assets	(32,621)
Expenditures for capital assets	131,229
Current year depreciation	(39,192)
Grant revenue that does not provide current financial resources and is, therefore, reported as deferred revenues in the funds	(2,721,468)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year-end.	(4,411)
Repayment of debt principal is an expenditure in the governmental funds; the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	3,012,500
Change in Net Assets of Governmental Activities	$ 187,027

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

Acme Township

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2011

	Enterprise - Water and Sewer Fund
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 509,606
Receivables, net	
Accounts	345,812
Special assessments	6,042
Total current assets	861,460
NONCURRENT ASSETS	
Capital assets	12,260,679
Less accumulated depreciation	(4,572,565)
Total noncurrent assets	7,688,114
Total assets	$ 8,549,574
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 33,070
Accrued and other liabilities	25,270
Due to other funds	4
Due to other governmental units	72,408
Current portion of long-term debt	282,953
Total current liabilities	413,705
NONCURRENT LIABILITIES	
Long-term debt	2,588,535
Total liabilities	3,002,240
NET ASSETS	
Investment in capital assets, net of related debt	4,816,626
Unrestricted	730,708
Total net assets	5,547,334
Total liabilities and net assets	$ 8,549,574

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

Acme Township

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS

Year ended June 30, 2011

	Enterprise - Water and Sewer Fund
Operating revenue	
Usage fees	$ 1,018,516
Reimbursements	23,145
Interest and fees	13,655
Total operating revenue	1,055,316
Operating expenses	
Cost of water produced/purchased	346,977
Depreciation	245,181
Total operating expenses	592,158
OPERATING INCOME	463,158
Nonoperating income (expenses)	
Investment income	2,197
Special assessments interest income	580
Interest expense	(134,710)
Total nonoperating income (expenses)	(131,933)
OTHER FINANCING USES	
Operating transfers out	(2,431)
CHANGE IN NET ASSETS	328,794
Net assets, beginning of year	5,218,540
Net assets, end of year	$ 5,547,334

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

Acme Township

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2011

	Enterprise - Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 880,451
Cash payments to suppliers	(303,498)
Net cash flows provided by operating activities	576,953
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating transfers to other funds	(2,431)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Collection of customer assessments (principal and interest)	7,998
Principal and interest paid on capital debt	(426,771)
Net cash used by capital and related financing activities	(418,773)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	2,197
NET INCREASE IN CASH AND CASH EQUIVALENTS	157,946
Cash and cash equivalents, beginning of year	351,660
Cash and cash equivalents, end of year	$ 509,606
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 463,158
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	245,181
Changes in assets and liabilities:	
Receivables	(174,865)
Accounts payable	3,511
Accrued and other liabilities	4,078
Due to other governmental units	35,890
Total adjustments	113,795
Net cash provided by operating activities	$ 576,953
Supplemental disclosure of noncash activity	
Septage treatment lease payments made by Grand Traverse County	$ 15,415

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

Acme Township

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	Trust and Agency Fund	Tax Collection Fund	Total Agency Funds
ASSETS			
Cash	$ 3,693	$ 25,289	$ 28,982
Accounts receivable	65,766	-	65,766
Due from others	14,802	-	14,802
	$ 84,261	$ 25,289	$ 109,550
LIABILITIES			
Due to other funds	$ 84,261	$ -	$ 84,261
Due to others	-	25,289	25,289
	$ 84,261	$ 25,289	$ 109,550

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the significant accounting principles and practices of Acme Township (the "Township") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the year ended June 30, 2011.

The Financial Reporting Entity

Acme Township is governed by an elected seven-member board. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and the fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are 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.

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

In the government-wide statement of net assets, both the governmental and business-type activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the 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 as general revenue.

Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The balance sheets; statements of revenues, expenditures/expenses and changes in fund balances/net assets; and statements of cash flows (i.e., fund financial statements) for the Township's governmental, proprietary and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement 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 30, 1989.

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

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. 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. Expenditures generally are recorded when a liability is incurred.

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances which are recorded on governmental fund balance sheets. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary funds use the accrual basis of accounting and are accounted for on a cost-of-service or "capital maintenance" measurement focus. Under the capital maintenance measurement focus, all assets and liabilities associated with the fund's activities are included on its balance sheet. Under the accrual basis, revenues are recognized when earned and expenses are recognized when they are incurred.

The fiduciary funds are generally maintained on the accrual basis which is consistent with the accounting measurement objectives of the funds.

Fund Types and Major Funds

Activities in Major Funds

Governmental Funds

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those accounted for in another fund. Revenues are primarily derived from property taxes and State shared revenue.

Fire Fund - The Fire Fund accounts for the Township's portion of operation of the Metro Emergency Services Authority. Financing is provided by a special property tax levy.

Farmland Preservation Fund - The Farmland Preservation Fund accounts for costs of establishing a system of farmland preservation. Financing is provided by a special property tax levy.

Shoreline Preservation Fund - The Shoreline Preservation Fun accounts for costs of establishing a system of shoreline preservation. Financing is provided by the Township residents and other grants.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for and the repayment of debt.

Proprietary Funds

Water and Sewer Fund - The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services.

Activities in Non-Major Funds

Governmental Funds

Police Protection Fund - The Police Protection Fund accounts for the costs of the Township police contract with the County, financed by a millage.

Oil and Gas Lease Fund - The Oil and Gas Lease Fund accounts for funds received from an oil and gas lease to be used for parks and recreation related expenses.

New Urbanist Town Center Fund - The New Urbanist Town Center Fund accounts for grant funds received for the purpose of creating a new town center.

Liquor Fund - The Liquor Fund accounts for Liquor license fees refunded by the State and utilized for enforcement of the State's liquor laws.

Cemetery Fund - The Cemetery Fund accounts for revenues and expenditures related to the Township's cemetery and maintenance.

Township Improvement Fund - The Township Improvement Fund accounts for money that will be utilized for road repairs that will be repaid by future special assessments on properties.

Township Zoning Fund - The Township Zoning Fund accounts for Board designated funds for potential zoning lawsuits.

Acme Heritage Fund - The Acme Heritage Fund accounts for archiving historical information.

Arnold Road Assessment Fund - The Arnold Road Assessment Fund accounts for the financing and completion of road repairs.

Fiduciary Funds

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Special Revenue Funds. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level for the General Fund, and the fund level for Special Revenue Funds.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at fiscal year-end.

Cash and Investments

The Township pools financial resources of its various funds to facilitate the management of cash and investments. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in bank certificates of deposit and in various interest-bearing securities.

For the purpose of the statement of cash flows, the Township considers all highly liquid investments, including all certificates of deposit and all restricted investments, with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amounts which reasonably estimate fair value.

Property Taxes

Property taxes are levied on 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 year, at which time penalties and interest are assessed.

The Township's 2010 tax is levied and collectible on December 1, 2010 and is recognized as revenue in the year ended June 30, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the Township totaled $300.8 million, on which taxes levied consisted of 0.7332 mills for operating purposes, 2.55 mills for public safety (applies to taxable real property only of $278.2 million), and 0.9203 mill for farmland preservation. This resulted in approximately $220,000 for operating, $731,000 for public safety and $276,000 for farmland preservation. These amounts are recognized in the respective General and Special Revenue Funds financial statements as property tax revenues.

Interfund Transactions and Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Due to/from other funds are short-term interfund balances that occur in the normal course of operations. Advances to/from other funds are long-term interfund financing arrangements. Outstanding balances on the government-wide statement of net assets are captioned "internal balances."

Operating transfers in and out arise in the normal course of operations from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, water and sewer lines) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual cost exceeds $5,000 and has an estimated useful life in excess of one year.

Capital 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Road improvements	15 - 20 years
Water and sewer distribution and treatment systems	50 years
Buildings and building improvements	40 - 50 years
Vehicles	3 - 5 years
Equipment	3 - 7 years

Conservation Easements

A conservation easement is a legal agreement between a landowner and a qualified conservation organization that permanently limits a property's use in order to protect its conservation values. Conservation easements, either purchased or donated, are initially valued at their appraised value. The difference between the purchase price and appraised value is reflected as capital grants and contributions in the Statement of Activities. Once the development rights for a specific conservation easement are extinguished, generally immediately after acquisition, a valuation allowance is established to reduce the value of the conservation easement to $1. This value reflects the lack of marketability related to the easements.

Deferred Revenue

Governmental Funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

Compensated Absences (Paid Time Off)

The Township's policy for compensated absences allows unused time to carry over to the following year at a maximum of 24 hours.

Fund Equity

In the fund financial statements, governmental funds classify fund balance as nonspendable for amounts that are not in a spendable form, such as inventory, or are required to be maintained intact. Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, such as grant providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers. Committed fund balance includes amount that can be used only for the specific purpose determined by a formal action of 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 the constraint originally. Assigned fund balance comprises amounts intended to be used by the government for a specific purpose. Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

The Township intends to maintain a fund balance of 50% of the Township's General Fund annual operating expenditures. If a fund balance declines below 50%, it shall be recovered at a rate of 1% minimally, each year.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Accounting Changes

For the year ended June 30, 2011, the Township implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with the standard, fund balance is classified as nonspendable, restricted, committed, and assigned or unassigned.

NOTE B - BUDGETARY COMPLIANCE

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2011, the Township was out of compliance with the Act as follows:

Fund	Budget	Actual	Variance
General Fund			
Capital outlay	$ 13,100	$ 38,425	$ 25,325
Shoreline Preservation Fund			
Transfers out	74,175	3,113,448	3,039,273

The Shoreline Preservation Fund has a deficit fund balance of ($241,375) at June 30, 2011.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended by Act 196 P.A. 1997) authorizes local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board, in accordance with Public Act 196 of 1997, has authorized all of the investments in the State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

At June 30, 2011, the Township's cash and investments include the following:

	Deposits
Carrying amounts	
Cash and equivalents	$ 2,666,957

Custodial Credit Risk

In the event of bank failure, the Township's uninsured deposits may not be returned to it. As of June 30, 2011, $1,949,142 of the Township's deposits (including certificates of deposit) were exposed to custodial credit risk because they were uninsured and uncollateralized.

NOTE D - RECEIVABLES

Receivables as of June 30, 2011 including the applicable allowances for uncollectible accounts, are as follows:

Water and sewer customer billings	$ 345,812
Special assessments	8,705
Intergovernmental	389,475
Fiduciary funds	84,261
Interest and other	18,035
Net receivables	$ 846,288

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, $284,732 of intergovernmental grants receivable and $2,663 of special assessments receivable were unavailable.

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables within the primary government are as follows:

	Interfund Receivables	Interfund Payables
Major Funds		
General Fund	$ 368,997	$ -
Shoreline Preservation Fund	-	284,732
Water and Sewer Fund	-	4
Fiduciary Fund		
Trust and Agency Fund	-	84,261
Total	$ 368,997	$ 368,997

NOTE F - INTERFUND TRANSFERS

Operating transfers within the primary government are as follows:

	Transfers In	Transfers Out
Major Funds		
General Fund	$ 62,216	$ 141,779
Shoreline Preservation Fund	141,779	3,113,448
Debt Service Fund	3,039,273	-
Water and Sewer Fund	-	2,431
Non-major Funds		
Police Protection Fund	9,416	-
Oil and Gas Lease Fund	74,175	-
Liquor Fund	-	9,416
Township Zoning Fund	-	50,728
Arnold Road Assessment Fund	-	9,057
Total	$ 3,326,859	$ 3,326,859

NOTE G - CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended June 30, 2011:

Governmental Activities

	Beginning	Capital Acquisitions	Sales and Other Dispositions	Ending
Capital assets not being depreciated				
Land	$8,299,143	$ -	$ -	$ 8,299,143
Construction-in-progress	-	74,175	-	74,175
Subtotal	8,299,143	74,175	-	8,373,318
Capital assets being depreciated				
Road improvements	50,191	-	(50,191)	-
Buildings and improvements	233,202	-	-	233,202
Vehicles	50,671	18,100	-	68,771
Equipment	107,133	38,954	(40,725)	105,362
Subtotal	441,197	57,054	(90,916)	407,335
Less accumulated depreciation				
Road improvements	(17,570)	-	17,570	-
Buildings and improvements	(146,325)	(4,902)	-	(151,227)
Vehicles	(37,869)	(10,373)	-	(48,242)
Equipment	(80,095)	(23,917)	40,725	(63,287)
Subtotal	(281,859)	(39,192)	58,295	(262,756)
Net capital assets being depreciated	159,338	17,862	(32,621)	144,579
Governmental activities net capital assets	$8,458,481	$ 92,037	$ (32,621)	$ 8,517,897

Business-Type Activities

	Beginning	Capital Acquisitions	Sales and Other Dispositions	Ending
Capital assets being depreciated				
Water and sewer distribution systems	$12,260,679	$ -	$ -	$12,260,679
Less accumulated depreciation				
Water and sewer distribution systems	(4,327,384)	(245,181)	-	(4,572,565)
Business-type activities net capital assets	$ 7,933,295	$ (245,181)	$ -	$ 7,688,114

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

Governmental activities

General government	$ 28,819
Recreation and culture	10,373
Total governmental activities	$ 39,192

Business-type activities

Water and Sewer	$ 245,181

NOTE H - SHORT-TERM DEBT

The following is a summary of the Township's short-term debt for the year ended June 30, 2011:

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
Governmental activities					
General obligation bond	$ 2,000,000	$ -	$ (2,000,000)	$ -	$ -
General obligation note	1,012,500	-	(1,012,500)	-	-
Total governmental activities debt	$ 3,012,500	$ -	$ (3,012,500)	$ -	$ -

NOTE I - LONG-TERM DEBT

The following is a summary of the Township's long-term debt for the year ended June 30, 2011:

	Beginning Balance	New Debt	Payments	Ending Balance	Current Portion
Business-type activities					
General obligation contracts	$ 2,768,224	$ -	$ (271,586)	$ 2,496,638	$ 262,478
Lease payable	395,325	-	(20,475)	374,850	20,475
Total business-type activities debt	$ 3,163,549	$ -	$ (292,061)	$ 2,871,488	$ 282,953

Long-term debt at June 30, 2011 is composed of the following individual issues:

General Obligation (Business-type activities)

1995 Traverse City Wastewater Treatment Plant General Obligation Bond (#328); remaining annual installments of $18,241 to $23,964 through April 2015; interest rate of 5.05% to 5.70%.	$ 112,451
1998 Traverse City Wastewater Treatment Plant General Obligation Bond (#330); remaining annual installments of $11,894 to $12,775 through April 2013; interest rate of 4.00% to 4.50%.	27,622
2002 Traverse City Wastewater Treatment Plant - 2002 Upgrade General Obligation Bond (#334); remaining annual installments of $132,474 to $205,121 through April 2022; interest rate of 2.75% to 5.00%.	1,843,689
2003 Grand Traverse County Sewer and Water Projects - Acme, East Bay and Peninsula Townships General Obligation Bond (#336); remaining annual installments of $99,869 to $108,191 through October 2023; interest rate of 2.25% to 5.00%.	512,876
Total business-type activities general obligation debt	$ 2,496,638

The above business-type activities contractual obligations to Grand Traverse County (the "County") are the result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. Proceeds from the County bonds provided financing for the construction of the sewer facilities and assets. The remaining principal, in the amount of $2,496,638, and interest, in the amount of $635,642, to be paid on the bonds, total $3,132,280. During the current year, net revenues of the system were $1,021,293 compared to the annual debt requirements of $271,586.

Lease Payable

The Grand Traverse County Department of Public Works has entered into various lease agreements with Acme Township to issue bonded debt and to manage the construction of water and sewer systems in Acme Township. These agreements generally terminate with the retirement of the related bond issues. Leases payable are reported at an amount equal to the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to Acme Township.

Under the accrual basis of accounting, the leases are classified as sales leases. As a result, lease payable are recognized in the accompanying statement of net assets.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreement.

Assets capitalized under the lease are $470,853.

The annual requirements to amortize all long-term debt obligations outstanding, as of June 30, 2011, are as follows:

	Business-Type Activities			
	General obligation contracts		Lease payable	
Years Ending	Principal	Interest	Principal	Interest
2012	$ 262,478	$ 108,735	$ 20,475	$ 11,943
2013	273,804	98,954	22,050	11,317
2014	272,451	88,651	22,050	10,653
2015	309,407	78,271	25,200	9,949
2016	237,491	62,416	25,200	9,188
2017-2021	912,649	187,832	140,175	32,376
2022-2026	228,358	10,783	119,700	6,032
	$ 2,496,638	$ 635,642	$ 374,850	$ 91,458

Defeased Debt

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2011, $1.1 million of bonds outstanding are considered defeased.

NOTE J - RESTRICTED FUND BALANCE

Restricted fund balances have limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. The Township's restricted fund balances at June 30, 2011 are as follows:

Public Broadcasting Equipment	$	6,864
PA 48 Metro Act		30,504
Restricted for special revenue purposes:		
Fire Fund		302,586
Farmland Preservation Fund		872,386
Police Protection Fund		180,208
New Urbanist Town Center Fund		27,714
Liquor Fund		12,362
Township Improvement Fund		30,034
Total restricted net assets	$	1,462,658

NOTE K - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League operates its public entity risk pool and group self insurance program as common risk management and insurance programs for various municipalities throughout the State. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. The plan includes the land use liability coverage, the new shoreline park property, and three buildings on the new park property including the Knollwood house. The coverage under the current Michigan Municipal League policy, which covers all risks under the same policy-wide limit, is now $5 million.

NOTE L - DEFINED CONTRIBUTION PENSION PLANS

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 12 months of employment with a minimum age of 21. As established by the Board of Trustees, the Township contributes 10 percent of employees' gross earnings and employee contributions for each employee. Employer contributions plus interest allocated to the employee's account are fully vested after four years of service.

The Township's total payroll during the current year was $295,558. The current year contribution was calculated on covered payroll of $239,952, resulting in an employer contribution of $23,995. No contributions from employees are required.

NOTE M - JOINT VENTURES

Master Sewer Agreement

The Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2041 with the City of Traverse City, the Townships of Acme, Peninsula and Garfield in Grand Traverse County, the Township of Elmwood in Leelanau County, and Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. The townships have the option to purchase the facility when certain bonds issued by Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit to itself and the townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise townships as to the treatment plant's operation and the townships shall have the right to comment on all matters connected with the administration of the plant.

Each participant in the joint venture pays an amount sufficient to cover its pro rata share of treatment plant costs. Each participant's pro rata share is determined by its volume of sewage treated in relation to total sewage treated at the plant.

The Township is responsible for debt service on the debt issues listed in Note I as determined biannually based upon the percentage of the Township's flow to the total flow through the treatment plant. For the biannual period ended June 30, 2011, the Township's percentage was 6.30%.

Metro Emergency Services Authority

The Township participates jointly in the operation of the Metro Emergency Services Authority with the charter townships of East Bay and Garfield in Grand Traverse County. The Township paid $604,744 to Metro Emergency Services Authority during the year ended June 30, 2011.

NOTE N - COMMITMENTS AND CONTINGENCIES

Regional Wastewater Treatment Facility

The Township is a participant in the regional wastewater treatment facility. Being a participant requires the Township to contribute funding to the planning of a new regional facility. As of June 30, 2011, the total cost of the project has not been estimated and no expenditures have been made.

Grant Programs

The Township participates in State and Federally assisted grant programs. The programs are subject to economy and efficiency, and program result audits by the grantors or their representatives. The audits of the programs for, or including, the year ended June 30, 2011 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date.

NOTE O - SUBSEQUENT EVENTS

The Township adopted a resolution to issue 2011 Capital Improvement Bonds for Shoreline and Farmland projects. The Township proposes to issue Capital Improvement Bonds in an amount not to exceed $3,300,000. Repayment of the bond principal would be made from the grant reimbursements, the money in the Farmland Fund, and the remaining development rights millage money to be collected.

REQUIRED SUPPLEMENTARY INFORMATION

Acme Township

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual Total
REVENUES					
Property taxes	$ 220,598	$ 220,598	$ 219,589	$ -	$ (1,009)
Licenses and permits	63,000	63,000	73,888	-	10,888
State sources	263,739	263,739	312,181	-	48,442
Charges for services	107,075	107,075	113,056	-	5,981
Interest income	10,550	2,500	2,454	(8,050)	(46)
Other	21,815	161,902	137,526	140,087	(24,376)
Total revenues	686,777	818,814	858,694	132,037	39,880
EXPENDITURES					
Legislative	176,428	273,528	249,423	(97,100)	24,105
General government					
Elections	13,750	13,750	11,711	-	2,039
Assessor	40,483	43,883	34,966	(3,400)	8,917
Clerk	62,443	62,443	61,169	-	1,274
Board of review	861	861	848	-	13
Treasurer	67,908	72,495	61,134	(4,587)	11,361
Township Hall	43,550	43,850	38,553	(300)	5,297
Supervisor	35,895	35,895	35,419	-	476
Public safety					
Planning and zoning	155,155	53,000	44,613	102,155	8,387
Recreation and culture					
Maintenance	121,592	122,592	101,753	(1,000)	20,839
Other					
Retirement/pension	2,000	500	960	1,500	(460)
Insurance	15,500	12,750	11,371	2,750	1,379
Other	2,519	1,344	2,465	1,175	(1,121)
Capital outlay	-	13,100	38,425	(13,100)	(25,325)
Total expenditures	738,084	749,991	692,810	(11,907)	57,181
REVENUES OVER (UNDER) EXPENDITURES	(51,307)	68,823	165,884	120,130	97,061
OTHER FINANCING SOURCES (USES)					
Operating transfers in	50,000	50,000	62,216	-	12,216
Operating transfers out	(44,754)	(555,000)	(141,779)	(510,246)	413,221
Total other financing sources (uses)	5,246	(505,000)	(79,563)	(510,246)	425,437
NET CHANGE IN FUND BALANCE	(46,061)	(436,177)	86,321	(390,116)	522,498
Fund balance, beginning of year	903,199	903,199	903,199	-	-
Fund balance, end of year	$ 857,138	$ 467,022	$ 989,520	$ (390,116)	$ 522,498

Acme Township

BUDGETARY COMPARISON SCHEDULE FOR THE FIRE FUND

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual Total
REVENUES					
Property taxes	$ 574,863	$ 649,350	$ 649,377	$ 74,487	$ 27
EXPENDITURES					
Public safety	591,160	604,744	604,744	(13,584)	-
REVENUES OVER (UNDER) EXPENDITURES	(16,297)	44,606	44,633	60,903	27
Fund balance, beginning of year	257,953	257,953	257,953	-	-
Fund balance, end of year	$ 241,656	$ 302,559	$ 302,586	$ 60,903	$ 27

Acme Township

BUDGETARY COMPARISON SCHEDULE FOR THE FARMLAND PRESERVATION FUND

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual Total
REVENUES					
Property taxes	$ 276,884	$ 276,884	$ 276,219	$ -	$ (665)
Interest	3,000	3,000	3,215	-	215
Other	297,884	-	-	(297,884)	-
Total revenues	577,768	279,884	279,434	(297,884)	(450)
EXPENDITURES					
Community and economic development	631,268	33,800	31,402	597,468	2,398
REVENUES OVER (UNDER) EXPENDITURES	(53,500)	246,084	248,032	299,584	1,948
Fund balance, beginning of year	624,354	624,354	624,354	-	-
Fund balance, end of year	$ 570,854	$ 870,438	$ 872,386	$ 299,584	$ 1,948

Acme Township

BUDGETARY COMPARISON SCHEDULE FOR THE SHORELINE PRESERVATION FUND

Year ended June 30, 2011

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual Total
REVENUES					
Grants	$ 3,121,200	$ 2,562,381	$ 2,562,381	$ (558,819)	$ -
Interest	-	-	93	-	93
Other	2,866,500	3,558	3,571	(2,862,942)	13
Total revenues	5,987,700	2,565,939	2,566,045	(3,421,761)	106
EXPENDITURES					
Recreation and culture	117,500	140,400	70,844	(22,900)	69,556
Other	-	2,955,432	3,127	(2,955,432)	2,952,305
Capital outlay	2,266,500	18,629	18,629	2,247,871	-
Total expenditures	2,384,000	3,114,461	92,600	(730,461)	3,021,861
REVENUES OVER (UNDER) EXPENDITURES	3,603,700	(548,522)	2,473,445	(4,152,222)	3,021,967
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	461,511	141,779	461,511	(319,732)
Operating transfers out	(50,000)	(74,175)	(3,113,448)	(24,175)	(3,039,273)
Total other financing sources (uses)	(50,000)	387,336	(2,971,669)	437,336	(3,359,005)
NET CHANGE IN FUND BALANCE	3,553,700	(161,186)	(498,224)	(3,714,886)	(337,038)
Fund balance, beginning of year	256,849	256,849	256,849	-	-
Fund balance, end of year	$ 3,810,549	$ 95,663	$ (241,375)	$ (3,714,886)	$ (337,038)

COMBINING FINANCIAL STATEMENTS

Acme Township

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2011

	Special Revenue Funds									
	Police Protection Fund	Oil and Gas Lease Fund	New Urbanist Town Center Fund	Liquor Fund	Cemetery Fund	Township Improvement Fund	Township Zoning Fund	Acme Heritage Fund	Arnold Road Assessment Fund	Total Non-Major Governmental Funds
ASSETS										
Current assets										
Cash and cash equivalents	$ 180,208	$ 10,227	$ 27,714	$ 12,362	$ 628	$ 30,034	$ -	$ 35	$ -	$ 261,208
Receivables, net	-	-	-	-	-	-	-	-	2,663	2,663
Total assets	$ 180,208	$ 10,227	$ 27,714	$ 12,362	$ 628	$ 30,034	$ -	$ 35	$ 2,663	$ 263,871
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	$ -	$ 50	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 50
Deferred revenue	-	-	-	-	-	-	-	-	2,663	2,663
Total liabilities	-	50	-	-	-	-	-	-	2,663	2,713
FUND BALANCES										
Restricted for special revenue funds	180,208	-	27,714	12,362	-	30,034	-	-	-	250,318
Committed	-	10,177	-	-	628	-	-	-	-	10,805
Assigned	-	-	-	-	-	-	-	35	-	35
Total fund balances	180,208	10,177	27,714	12,362	628	30,034	-	35	-	261,158
Total liabilities and fund balances	$ 180,208	$ 10,227	$ 27,714	$ 12,362	$ 628	$ 30,034	$ -	$ 35	$ 2,663	$ 263,871

Acme Township

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2011

	Special Revenue Funds									
	Police Protection Fund	Oil and Gas Lease Fund	New Urbanist Town Center Fund	Liquor Fund	Cemetery Fund	Township Improvement Fund	Township Zoning Fund	Acme Heritage Fund	Arnold Road Assessment Fund	Total Non-Major Governmental Funds
REVENUES										
Property taxes	$ 81,163	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 81,163
License and permits	-	-	-	9,416	-	-	-	-	-	9,416
Charges for services	-	-	-	-	1,350	-	-	-	-	1,350
Interest	-	5	126	43	-	-	127	-	256	557
Other	-	2,734	-	-	-	-	-	20	2,448	5,202
Total revenues	81,163	2,739	126	9,459	1,350	-	127	20	2,704	97,688
EXPENDITURES										
General government	-	-	-	-	2,412	-	-	-	-	2,412
Public safety	73,598	-	-	-	-	-	-	-	-	73,598
Recreation and culture	-	1,665	-	-	-	-	-	-	-	1,665
Capital outlay	-	74,175	-	-	-	-	-	-	-	74,175
Total expenditures	73,598	75,840	-	-	2,412	-	-	-	-	151,850
REVENUES OVER (UNDER) EXPENDITURES	7,565	(73,101)	126	9,459	(1,062)	-	127	20	2,704	(54,162)
OTHER FINANCING SOURCES (USES)										
Operating transfers in	9,416	74,175	-	-	-	-	-	-	-	83,591
Operating transfers out	-	-	-	(9,416)	-	-	(50,728)	-	(9,057)	(69,201)
Total other financing sources (uses)	9,416	74,175	-	(9,416)	-	-	(50,728)	-	(9,057)	14,390
NET CHANGE IN FUND BALANCE	16,981	1,074	126	43	(1,062)	-	(50,601)	20	(6,353)	(39,772)
Fund balance, beginning of year	163,227	9,103	27,588	12,319	1,690	30,034	50,601	15	6,353	300,930
Fund balance, end of year	$ 180,208	$ 10,177	$ 27,714	$ 12,362	$ 628	$ 30,034	$ -	$ 35	$ -	$ 261,158