

Macon Township, Michigan

Year Ended
March 31, 2014

Financial
Statements

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MACON TOWNSHIP

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INDEPENDENT AUDITORS' REPORT

July 28, 2014

Township Board
Macon Township
Britton, Michigan*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Macon Township, Michigan* (The "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2014, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

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

The General Fund Schedule and Individual Fund Statement are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

MACON TOWNSHIP

Management's Discussion and Analysis

As the Board of Trustees of Macon Township, Lenawee County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis as an explanation of the financial activities of the Township for the fiscal year ended March 31, 2014.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$575,608 (net position for all activities). Of this amount, \$432,442 (unrestricted net position for all activities) may be used to meet the government's ongoing obligations to citizens and creditors. By comparison, the assets of the Township at the close of 2012 exceeded its liabilities by \$542,605 (net position for all activities) of this amount; \$494,755 was unrestricted net position. Additionally:

- The government's total net position increased by \$7,030 for 2014.
- As of the close of the current fiscal year, the Township's general fund reported an ending fund balance was \$530,084 (all unassigned), which was an increase of \$1,044 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of two components: 1) government-wide and fund financial statements, and 2) notes to the financial statements.

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and governmental fund balance sheet on a single page and the statement of activities and governmental funds revenues, expenditures and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may 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 position changed during the most recent fiscal year. All changes in net position 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).

The government-wide financial statements present governmental activities of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include legislative, general government, public safety, public works and planning.

MACON TOWNSHIP

Management's Discussion and Analysis

Fund financial statements. 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. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same function reported 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds are all the monies collected by the Township meant for another agency, for example, school taxes, county taxes, library taxes and escrow accounts. The current tax collections agency fund makes up the only Township fiduciary fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the commission's financial statements. The notes to the financial statements are considered to be part of the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Macon Township, total assets for all activities were \$575,608 at the close of the most recent fiscal year.

Of the Township's net position, \$13,909 (2%) reflects its investment in capital assets (e.g. buildings, equipment and vehicles). The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The Township also has \$129,257 (22%) in restricted net position. \$33,050 of the balance is to be used for public safety fire operations and the remaining \$96,207 is to be used for highways and streets.

At the end of the current year, the Township is able to report positive balances in all categories of net position.

MACON TOWNSHIP

Management's Discussion and Analysis

The government's net position for governmental activities increased by \$33,003 over the last two-year period mostly due to the state of the economy.

The March 31, 2013 fiscal year was not audited, and therefore the March 31, 2012 fiscal year results are presented as a comparable year.

Condensed Statement of Net Position:	2014	2012
Current and other assets	\$ 568,279	\$ 526,338
Capital assets	13,909	16,267
Total assets	582,188	542,605
Net Position:		
Invested in capital assets, net of related debt	13,909	16,267
Restricted for:		
Public safety	33,050	28,895
Highways and streets	96,207	86,754
Unrestricted	432,442	410,689
Total net position	\$ 575,608	\$ 542,605
Condensed Statement of Activities:	2014	2012
Revenue		
Taxes	\$ 191,478	\$ 183,138
Licenses and permits	3,222	5,038
Intergovernmental revenue	113,211	111,571
Charges for services	900	1,550
Interest revenue	754	181
Miscellaneous revenue	6,722	178
Total revenue	316,287	301,656
Expenses		
General government	136,550	130,063
Public safety	34,290	51,962
Highways and streets	134,829	146,886
Debt service - interest only	3,588	1,093
Total expenses	309,257	330,004
Increase (decrease) in net position	7,030	(28,348)
Net position, beginning of year	568,578	570,953
Net position, end of year	\$ 575,608	\$ 542,605

MACON TOWNSHIP

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds, reported an unassigned fund balance of \$432,442, an increase of \$1,044 in comparison with the prior year. Township management feels this is an adequate amount to keep the Township operating in light of the current economic climate in Michigan and in the case of unforeseen emergencies.

Total revenues approximated total expenditures for all governmental funds as a whole for the year ended March 31, 2014 due to the conservative fiscal management attitude of the Township.

General Fund Budgetary Highlights

No differences between the original and final amended budget were noted. Actual results approximated the final amended budget amounts.

Capital Assets

Capital assets in total, net of accumulated depreciation, decreased from \$16,276 to \$13,909 due to depreciation expense. More detailed information of capital assets can be found in Note 5 in the financial statements following.

Economic Factors and Future Budgetary Highlights

The emphasis on controlling costs yet providing quality services to our citizens will continue to be a major consideration in the 2015 and 2016 budget development. Township officials and employees are always operating with a conservative and fiscally responsible budget approach.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information are welcomed, and should be addressed to the Township Treasurer, Macon Township, 10711 Clinton-Macon Road, Tecumseh, Michigan 49286.

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BASIC FINANCIAL STATEMENTS

MACON TOWNSHIP

Statement of Net Position and Governmental Funds Balance Sheet

March 31, 2014

	General Fund	Road Millage	Fire Millage	Total	Adjustments	Statement of Net Position
Assets						
Cash and cash equivalents	\$ 119,396	\$ 25	\$ 991	\$ 120,412	\$ -	\$ 120,412
Investments	239,519	-	-	239,519	-	239,519
Taxes receivable	64,029	96,182	32,059	192,270	-	192,270
Due from other governments	16,078	-	-	16,078	-	16,078
Property and equipment	-	-	-	-	13,909	13,909
Total assets	\$ 439,022	\$ 96,207	\$ 33,050	\$ 568,279	\$ 13,909	\$ 582,188
Liabilities						
Accounts Payable	(6,580)	-	-	(6,580)	-	(6,580)
Total liabilities	(6,580)	-	-	(6,580)	-	(6,580)
Fund Balance/Net Position						
Fund balances:						
Restricted - Fire Millage	-	96,207	-	96,207	(96,207)	-
Restricted - Road Millage	-	-	33,050	33,050	(33,050)	-
Unassigned	432,442	-	-	432,442	(432,442)	-
Total fund balances	432,442	96,207	33,050	561,699	(561,699)	-
Net Position:						
Investment in Capital Assets					13,909	13,909
Restricted for:						
Public safety					33,050	33,050
Highways and streets					96,207	96,207
Unrestricted					432,442	432,442
Total net position					\$ 575,608	\$ 575,608

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

MACON TOWNSHIP

Reconciliation

Governmental Funds Balance Sheet to
Statement of Net Position
March 31, 2014

Fund balance - Governmental Funds	\$ 561,699
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Amounts reported for *governmental activities* in the statement of net position
are different because:

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

13,909

Net position of governmental activities

\$ 575,608

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

MACON TOWNSHIP

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance For the Year Ended March 31, 2014

	General Fund	Road Millage	Fire Millage	Total	Adjustments	Statement of Activities
Revenue						
Taxes	\$ 64,028	\$ 92,457	\$ 34,993	\$ 191,478	\$ -	\$ 191,478
Licenses and permits	3,222	-	-	3,222	-	3,222
Intergovernmental revenue	113,211	-	-	113,211	-	113,211
Charges for services	900	-	-	900	-	900
Interest revenue	741	9	4	754	-	754
Miscellaneous revenue	6,722	-	-	6,722	-	6,722
Total revenue	188,824	92,466	34,997	316,287	-	316,287
Expenditures/Expenses						
General government	135,371	-	-	135,371	1,179	136,550
Public safety	-	-	34,290	34,290	-	34,290
Highways and streets	-	134,829	-	134,829	-	134,829
Planning	3,588	-	-	3,588	-	3,588
Total expenditures/expenses	138,959	134,829	34,290	308,078	1,179	309,257
Change in fund balances	49,865	(42,363)	707	8,209	8,209	
Other Financing Sources (Uses)						
Transfers In	619	47,618	1,822	50,059	-	50,059
Transfers Out	(49,440)	(619)	-	(50,059)	-	(50,059)
Total other financing sources (uses)	(48,821)	46,999	1,822	-	-	-
Change in net position	1,044	4,636	2,529	8,209	(1,179)	7,030
Fund Balances/Net Position, beginning of year	431,398	91,571	30,521	553,490	15,088	568,578
Fund Balances/Net Position, end of year	\$ 432,442	\$ 96,207	\$ 33,050	\$ 561,699	\$ 13,909	\$ 575,608

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

MACON TOWNSHIP

Reconciliation

Governmental Funds Revenues, Expenditures
and Changes in Fund Balance to
the Statement of Activities
For the Year Ended March 31, 2014

Net change in fund balance - Governmental Funds	\$	8,209
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of
activities, the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense.

Depreciation expense	<u>(1,179)</u>
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Change in net position of governmental activities	<u>\$</u>	<u>7,030</u>
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The accompanying notes are an integral part of these financial statements.

MACON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended March 31, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Taxes	\$ 62,187	\$ 64,028	\$ 1,841
Licenses and permits	5,000	3,222	(1,778)
Intergovernmental revenue	110,000	113,211	3,211
Charges for services	1,200	900	(300)
Interest revenue	120	741	621
Miscellaneous revenue	-	6,722	6,722
Total revenue	178,507	188,824	10,317
Expenditures			
General government	135,915	135,371	544
Planning	4,100	3,588	512
Total expenditures	140,015	138,959	1,056
Revenues over expenditures	38,492	49,865	11,373
Other financing sources (Uses)			
Transfers In	-	619	619
Transfers Out	-	(49,440)	(49,440)
Total other financing sources (uses)	-	(48,821)	(48,821)
Net change in fund balances	38,492	1,044	(37,448)
Fund balance, beginning of year	431,398	431,398	-
Fund balance, end of year	\$ 469,890	\$ 432,442	\$ (37,448)

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

MACON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Road Millage For the Year Ended March 31, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Taxes	\$ 93,283	\$ 92,457	\$ (826)
Interest revenue	-	9	9
Total revenue	93,283	92,466	(817)
Expenditures			
Highways and streets	166,000	134,829	(31,171)
Total expenditures	166,000	134,829	(31,171)
Revenues over (under) expenditures	(72,717)	(42,363)	30,354
Other financing sources (uses)			
Transfers In	-	47,618	47,618
Transfers Out	-	(619)	(619)
Total other financing sources (uses)	-	46,999	46,999
Net change in fund balances	(72,717)	4,636	77,353
Fund balance, beginning of year	91,571	91,571	-
Fund balance, end of year	\$ 18,854	\$ 96,207	\$ 77,353

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

MACON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Fire Millage For the Year Ended March 31, 2014

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue			
Taxes	\$ 31,091	\$ 34,993	\$ 3,902
Interest revenue	-	4	4
	<hr/>	<hr/>	<hr/>
Total revenue	31,091	34,997	3,906
Expenditures			
Public safety	31,000	34,290	(3,290)
	<hr/>	<hr/>	<hr/>
Revenues over expenditures	91	707	616
Other Financing Sources (Uses)			
Transfers In	-	1,822	1,822
Transfers Out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	1,822	1,822
Net change in fund balances	91	2,529	2,438
Fund balance, beginning of year	30,521	30,521	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 30,612</u>	<u>\$ 33,050</u>	<u>\$ 2,438</u>

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

MACON TOWNSHIP

Statement of Fiduciary Net Position - Current Tax Collections Agency Fund March 31, 2014

Assets

Cash and short-term investments	<u>\$ 261,994</u>
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Liabilities

Due to others	<u>\$ 261,994</u>
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The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

MACON TOWNSHIP

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Macon Township, Lenawee County, Michigan (the “Township”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting entity

Macon Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a four-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #61 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

A combined financial statement is provided for the governmental funds and the statement of net position and the governmental funds and the statement of activity. The general fund, road millage fund and fire millage fund are considered to be major funds for financial reporting purposes.

Separate financial statements are provided for the fiduciary fund, even though the latter is excluded from the government-wide financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are 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 revenues 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. The agency fund also uses the accrual basis of accounting, but does not have a measurement focus.

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

MACON TOWNSHIP

Notes to Financial Statements

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is used to account for all financial transactions not accounted for in another fund. Revenues are derived primarily from property taxes and State distributions, grants and other intergovernmental revenues. The *general fund* accounts for the general operating expenditures not recorded elsewhere.

The *road millage fund* is used to account for property tax revenues specifically dedicated by an approved millage for road projects.

The *fire millage fund* is used to account for property tax revenues specifically dedicated by an approved millage for fire operations.

Additionally, the government reports the following fund type:

The *agency fund* accounts for assets held for other governments in an agency capacity.

Assets, liabilities and net position/equity

Deposits and investments

The government's cash is considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (general fund) column.

MACON TOWNSHIP

Notes to Financial Statements

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Years
Buildings and Improvements	25-50
Furniture and Equipment	5-15

Compensated absences

All Township employees are working on a part-time basis and, therefore, no sick time or vacation time benefits are paid to the employees.

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board (the government’s highest level of decision-making authority). A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Township would report assigned fund balance for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Fund. The Township currently has no nonspendable, committed or assigned fund balance.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government’s policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

2. BUDGETARY INFORMATION

Annual budgets are adopted at the activity level for the governmental fund type each fiscal year on a basis consistent with generally accepted accounting principles. The government’s final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

MACON TOWNSHIP

Notes to Financial Statements

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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 March 31, 2014, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Amended Budget	Actual	Variance
General fund			
General government			
Treasurer	\$ 15,635	\$ 15,687	\$ 52
Miscellaneous	29,250	32,634	3,384
Cemetery	15,500	19,090	3,590
Transfers out	-	49,440	49,440
Fire Millage fund			
Public safety - fire	31,000	34,290	3,290
Road Millage fund			
Transfers out	-	619	619

4. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, the Township's bank balance was \$622,828. Of the bank balance \$133,308 was uninsured and uncollateralized, and therefore exposed to custodial credit risk. The book balance of these deposits was \$621,925.

A reconciliation of cash and investments as shown on the Statement of Net Position and Statement of Fiduciary Net Position to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Position	
Cash and equivalents	\$ 120,412
Investments	239,519
	<u>359,931</u>
Statement of Fiduciary Net Position	
Cash and short-term investments	<u>261,994</u>
Total	<u>\$ 621,925</u>
Classification of Deposit and Investments	
Bank deposits (checking accounts, savings account and CDs)	<u>\$ 621,925</u>

The Township's investment policy does not differ from state statute.

MACON TOWNSHIP

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 47,165	\$ -	\$ -	\$ 47,165
Furniture and equipment	15,578	-	-	15,578
	<u>62,743</u>	<u>-</u>	<u>-</u>	<u>62,743</u>
Less accumulated depreciation for:				
Buildings and improvements	33,254	1,179	-	34,433
Furniture and equipment	14,401	-	-	14,401
	<u>47,655</u>	<u>1,179</u>	<u>-</u>	<u>48,834</u>
Total capital assets being depreciated, net	<u>\$ 15,088</u>	<u>\$ (1,179)</u>	<u>\$ -</u>	<u>\$ 13,909</u>

Depreciation expense was charged to the function "General government".

6. PROPERTY TAXES

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the General Fund reflect the 2013 Township levies. The Township's general operating tax rate was .9986 mills, 1.50000 mills for the Township Roads and .50000 mills for fire operating. Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$64,122,879. The 2013 levy became a lien on properties on December 1, 2013, and was substantially collected in early 2014. Taxes became delinquent on March 1, 2014.



**GENERAL FUND SCHEDULE
AND INDIVIDUAL FUND STATEMENT**

MACON TOWNSHIP

General Fund - Detail Schedule of Expenditures - Budget and Actual

For the Year Ended March 31, 2014

	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
General government				
Township Board	\$ 5,500	\$ 5,500	\$ 4,851	\$ 649
Supervisor	18,080	18,080	18,080	-
Clerk	15,635	15,635	15,477	158
Professional services	3,000	3,000	931	2,069
Treasurer	15,635	15,635	15,687	(52)
Assessor	15,000	15,000	15,000	-
Inspectors	5,000	5,000	2,200	2,800
Township Hall Caretaker	3,015	3,015	3,015	-
Board of Review	1,800	1,800	1,370	430
Cemetery	15,500	15,500	19,090	(3,590)
Drains	7,000	7,000	5,908	1,092
Miscellaneous	29,250	29,250	32,634	(3,384)
Total general government	135,915	135,915	135,371	544
Planning				
Zoning	4,100	4,100	3,588	512
Total Expenditures	\$ 140,015	\$ 140,015	\$ 138,959	\$ 1,056

MACON TOWNSHIP

Statement of Changes in Assets and Liabilities -

Current Tax Collections Agency Fund

For the Year Ended March 31, 2014

	Balance - Beginning of year	Additions	Deductions	Balance - End of year
Assets				
Cash and investments	<u>\$ 237,271</u>	<u>\$ 934,996</u>	<u>\$ 910,273</u>	<u>\$ 261,994</u>
Liabilities				
Due to others	<u>\$ 237,271</u>	<u>\$ 934,996</u>	<u>\$ 910,273</u>	<u>\$ 261,994</u>

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

July 28, 2014

To the Township Board
Macon Township
Britton, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Macon Township* (the "Township") as of and for the year ended March 31, 2014, and have issued our report thereon dated July 28, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 19, 2014, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Township solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our findings regarding internal control over financial reporting, compliance, and other matters noted during our audit are included in Attachment A to this letter.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on June 24, 2014.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Township's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Township is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- 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.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in Attachment A to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Township's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Township's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment B to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of *Macon Township* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Lobson LLC

MACON TOWNSHIP

Attachment A - Consideration of Internal Control Over Financial Reporting

For the March 31, 2014 Audit

We have audited, in accordance with the auditing standards generally accepted in the United States of America the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *Macon Township* (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated July 28, 2014.

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness

We considered the following deficiencies in internal control over financial reporting to be a material weakness:

2014-FS-01 - Material Audit Adjustment

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we identified and proposed several adjustments (which were approved and posted by management) to adjust the Township's general ledger to the appropriate balances. These entries were specific and significant items that required correction of property tax revenue as well as state shared revenue.

MACON TOWNSHIP

Attachment A - Consideration of Internal Control Over Financial Reporting

For the March 31, 2014 Audit

Cause: This condition was the result of reliance by management for utilizing the audit firm in reconciling the general ledger and closing out the fiscal year, which is typical for townships of this size.

Effect: As a result of this condition, the Township's accounting records were initially misstated by amounts material to the financial statements.

Recommendation: The books are maintained on a cash basis and converted to modified accrual during the audit process, and the Township will continue to review the final reports.

Significant Deficiency

We considered the following deficiencies in internal control over financial reporting to be a significant deficiency:

2014-FS-02 - Preparation of Financial Statements in Accordance with GAAP

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: As is the case with many smaller and medium-sized entities, the government 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 government'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 government's internal controls.

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.

Effect: As a result of this condition, the government 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.

Recommendation: The government 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 government to outsource this task to 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.

MACON TOWNSHIP

Attachment A - Consideration of Internal Control Over Financial Reporting For the March 31, 2014 Audit

Other Matter

Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Township's unique circumstances. As is the case with many organizations of similar size, Macon Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Essentially, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the non-profit environment. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of an organization's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Township's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Township's internal control structure, and cannot not be relied upon as part of management's systems to deter or detect fraud and abuse.



MACON TOWNSHIP

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2014 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Township in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Township. For the complete text of these and other GASB standards, visit www.gasb.org and click on the “Standards & Guidance” tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 67 ■ Financial Reporting for Pension Plans

Effective 06/15/2014 (your FY 2015)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarial valuations conducted in accordance with GASB 67 will have to match the government’s fiscal year, or be rolled forward to that date by the actuary.

Because the Township does not maintain its own pension trust fund, we do not expect GASB 67 to have any significant impact on the Township at this time.

GASB 68 ■ Accounting and Financial Reporting for Pensions

Effective 06/15/2015 (your FY 2016)

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their “proportionate share” of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

MACON TOWNSHIP

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2014 Audit

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

GASB 69 ■ Government Combinations and Disposals of Government Operations

Effective 12/15/2014 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the Township at this time.

MACON TOWNSHIP

Attachment B - Upcoming Changes in Accounting Standards / Regulations

For the March 31, 2014 Audit

GASB 70 ■ Nonexchange Financial Guarantees

Effective 06/15/2014 (your FY 2015)

This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). A government that extends a nonexchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is “more likely than not” that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements.

We do not expect GASB 70 to have any significant impact on the Township at this time.

GASB 71 ■ Pension Transition for Contributions Made Subsequent to the Measurement Date

Effective with the Implementation of GASB 68

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed \$750,000 (up from \$500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.



MACON TOWNSHIP
LENAWEE COUNTY MICHIGAN

12435 Ridge Hwy
Britton, MI 49229
July 28, 2014

Rehmann Robson
675 Robinson Road
Jackson, MI 49203

Lee Wagner, Supervisor
Beth DeJonghe, Treasurer
Beth Loesch, Clerk
David Wielfaert, Trustee
Edward Clark, Trustee

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Macon Township* (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and the respective budgetary comparison for the General Fund in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of July 28, 2014:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 7, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.

- b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All funds and activities are properly classified.
 11. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
 12. All components of net position and fund balance classifications have been properly reported.
 13. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 14. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
 15. Deposit and investment risks have been properly and fully disclosed.
 16. Capital assets are properly capitalized, reported, and if applicable, depreciated.

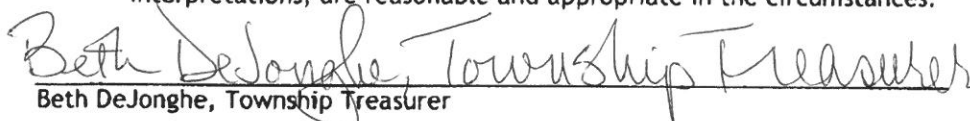
Information Provided

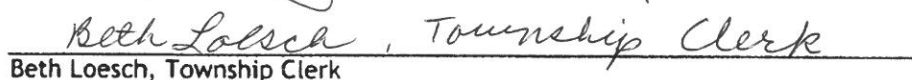
17. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.
19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
20. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
21. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, vendors, regulators, or others.
22. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
23. We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware.
24. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

25. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
26. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
27. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
28. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
29. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
30. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Required Supplementary Information

32. With respect to the required supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.


Beth DeJonghe, Township Treasurer


Beth Loesch, Township Clerk