

**ONEKAMA TOWNSHIP  
MANISTEE COUNTY, MICHIGAN**

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**AUDITED FINANCIAL STATEMENTS  
MARCH 31, 2014**

**ONEKAMA TOWNSHIP  
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CERTIFIED PUBLIC ACCOUNTANTS  
*Serving Our Clients for Over 50 Years*

**INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Onekama Township  
Manistee County  
Onekama, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onekama Township, Manistee County, Michigan, 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.

**Auditor's Responsibility**

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

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

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

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## **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 Onekama Township, Manistee County, Michigan as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii – vi and 16-18 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.

*Vanderwal, Spittle & Reinhardt, P.C.*  
Certified Public Accountants

Manistee, Michigan  
September 30, 2014

**ONEKAMA TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
MARCH 31, 2014**

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The Management's Discussion and Analysis report of Onekama Township covers the Township's financial performance during the fiscal year ended March 31, 2014.

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

**THE TOWNSHIP AS A WHOLE:**

Assets:	3/31/2014	3/31/2013
Cash	\$ 1,196,619	\$ 1,215,623
Other Assets	12,543	76,235
Capital Assets Net	772,901	780,849
	\$ 1,982,063	\$ 2,072,707
<b>Liabilities</b>		
Current Liabilities	\$ 31,950	\$ 79,176
<b>Net Position:</b>		
Invested in Capital Assets		
Net Capital Assets	\$ 772,901	\$ 780,849
Restricted	379,285	499,702
Unrestricted	797,927	712,980
	\$ 1,950,113	\$ 1,993,531
Liabilities and Net Position	\$ 1,982,063	\$ 2,072,707

The Township's combined net assets decreased 2.2% from a year ago – decreasing from \$1,993,531 to \$1,950,113.

**ONEKAMA TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - *continued***  
**MARCH 31, 2014**

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	<u>3/31/2014</u>	<u>3/31/2013</u>
Revenues		
Taxes	\$ 560,317	\$ 571,540
State Grants	287,645	161,942
Charges for Services	15,020	16,304
Local Grants and Donations	8,083	14,166
Investment Income	795	1,018
Rent and Royalty Income	5,907	6,240
Other Income	24,874	81,181
Total Income	<u>\$ 902,641</u>	<u>\$ 852,391</u>
Expenditures		
General Government	\$ 271,132	\$ 402,564
Public Safety	127,615	139,769
Public Works	196,763	187,752
Community & Economic Development	25,618	17,478
Recreation and Culture	27,604	24,717
Other	297,327	83,431
Total Expenditures	<u>\$ 946,059</u>	<u>\$ 855,711</u>
Decrease in Net Position	<u>\$ (43,418)</u>	<u>\$ (3,320)</u>

**THE TOWNSHIP'S FUNDS:**

The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millage.

The General Fund and the Fire Operating Fund pay for most of the Township's governmental services.

**ONEKAMA TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - *continued*  
MARCH 31, 2014**

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**FUND BUDGETARY HIGHLIGHTS:**

Over the course of the year the Township Board was able to maintain the Township departments within their prescribed budgets.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of March 31, 2013, the Township had \$1,528,821 invested in a broad range of capital assets, including building and fire equipment. At March 31, 2014, this amounted decreased to \$1,507,605, as a couple pieces of equipment were sold and old broken equipment was scrapped.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:**

Onekama Township's 2013-2014 budget calls for voted millage of 1.4283 mills for the General Fund, 1.0000 mills for the Fire Fund, and .9522 mills for Road Construction/Maintenance, all subject to the Headlee Rollback. Monies generated by this millage go to provide state mandated services, spring trash collection, clerical services, and payroll.

The above can be accomplished by voted millage and the growth in our tax base. Because of the impact of Proposal A, and because of declining values and possible effect of lowering taxable values for the Township as a whole, the Township needs to continue to watch its budget very closely. The state-wide reform act limits growth in taxable value by less than inflation.

**GENERAL OVERVIEW OF THE ACCOMPLISHMENTS OF ONEKAMA TOWNSHIP  
IN THE 2013-2014 FISCAL YEAR:**

- The township office exterior was upgraded. Upgrade included landscaping, bushes, flowers, trees and an informational sign. A new roof was installed on the fire barn and township hall, the parking lot was seal-coated, and an auxiliary generator was installed.
- The Fire Department hired a full time Department Captain for Fire and Rescue. It also purchased a hose dryer. A mutual aid agreement (fire & rescue) throughout the county was approved.
- A local recycling agreement with the county was renewed.
- With a grant, a surveillance camera was installed for the township hall, fire department and recycling area.
- Township and Village roads were maintained and repaired, e.g., Mill Street and Erdman Road.
- The Township assisted the Village with park projects.
- Improvements were made at North Point Park and Glen Park.

**ONEKAMA TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS - *continued*  
MARCH 31, 2014**

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**Future Projects:**

- The Township is seeking a grant for major improvements for Languard Park (turn-around) projects with a match of approximately \$80,000.

**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 at (231) 889-3308.



**ONEKAMA TOWNSHIP  
STATEMENT OF NET POSITION  
MARCH 31, 2014**

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	<u><b>Governmental Activities</b></u>
<b><u>Assets</u></b>	
<b><u>Current Assets:</u></b>	
Cash and Cash Equivalents	\$ 817,334
Restricted Cash and Cash Equivalents	379,285
Due From Other Governments	9,932
Internal Balances	2,611
Total Current Assets	<u>\$ 1,209,162</u>
 <b><u>Non-Current Assets</u></b>	
Land	\$ 177,537
Building	185,000
Land Improvements	89,662
Equipment and Furnishings	1,055,406
	<u>\$ 1,507,605</u>
Less: Accumulated Depreciation	(734,704)
Total Non-Current Assets	<u>\$ 772,901</u>
 <b><u>Total Assets</u></b>	 <u><u>\$ 1,982,063</u></u>
 <b><u>Liabilities</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable	\$ 12,975
Accounts Payable - Related Party	2,179
Accrued Wages	14,088
Payroll Taxes Payable	2,708
Total Current Liabilities	<u>\$ 31,950</u>
 <b><u>Total Liabilities</u></b>	 <u>\$ 31,950</u>
 <b><u>Net Position</u></b>	
Net Investment in Capital Assets	\$ 772,901
Restricted for Lake Treatment	17,556
Restricted for Road Maintenance & Improvements	361,729
Unrestricted	797,927
 <b><u>Total Net Position</u></b>	 <u><u>\$ 1,950,113</u></u>

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

**ONEKAMA TOWNSHIP  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charge for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>					
General Government	\$ 271,132	\$ 4,370	\$ -	\$ 2,500	\$ (264,262)
Public Safety	127,615	10,650	-	8,083	(108,882)
Public Works	196,763	-	-	-	(196,763)
Community and Economic Development	25,618	-	-	-	(25,618)
Recreation and Cultural	27,604	-	-	-	(27,604)
Other	297,327	-	212,310	-	(85,017)
<b>Total Governmental Activities</b>	<b>\$ 946,059</b>	<b>\$ 15,020</b>	<b>\$ 212,310</b>	<b>\$ 10,583</b>	<b>\$ (708,146)</b>

**General Revenues**

Property Taxes	\$ 560,317
State-shared Revenues	72,835
Other	24,874
Investment Earnings	795
Rent and Royalty Income	5,907
<b>Total General Revenues</b>	<b>\$ 664,728</b>

Change in Net Position \$ (43,418)

**Net Position - Beginning of Year** \$ 1,993,531

**Net Position - End of Year** \$ 1,950,113

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

**ONEKAMA TOWNSHIP**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**MARCH 31, 2014**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Northpoint Park Fund</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 501,772	\$ 296,823	\$ 18,739	\$ 817,334
Restricted Cash and Cash Equivalents	379,285	-	-	379,285
Due from Other Funds	5,521	-	-	5,521
Due from Other Governments	9,932	502	-	10,434
<b><u>Total Assets</u></b>	<b><u>\$ 896,510</u></b>	<b><u>\$ 297,325</u></b>	<b><u>\$ 18,739</u></b>	<b><u>\$ 1,212,574</u></b>
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 11,144	\$ 1,831	\$ -	\$ 12,975
Accounts Payable - Related Party	2,179	-	-	2,179
Accrued Wages	4,290	9,798	-	14,088
Payroll Taxes Payable	2,708	-	-	2,708
Due to Other Funds	502	2,910	-	3,412
<b><u>Total Liabilities</u></b>	<b><u>\$ 20,823</u></b>	<b><u>\$ 14,539</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 35,362</u></b>
<b><u>Fund Balances</u></b>				
Restricted For:				
Lake Treatment	\$ 17,556	\$ -	\$ -	\$ 17,556
Roads	361,729	-	-	361,729
Assigned For:				
Building Improvements	100,000	-	-	100,000
Fire Operations	-	282,786	-	282,786
Park Operations	-	-	18,739	18,739
Unassigned	396,402	-	-	396,402
<b><u>Total Fund Balances</u></b>	<b><u>\$ 875,687</u></b>	<b><u>\$ 282,786</u></b>	<b><u>\$ 18,739</u></b>	<b><u>\$ 1,177,212</u></b>
<b><u>Total Liabilities and Fund Balances</u></b>	<b><u>\$ 896,510</u></b>	<b><u>\$ 297,325</u></b>	<b><u>\$ 18,739</u></b>	<b><u>\$ 1,212,574</u></b>

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

**ONEKAMA TOWNSHIP**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**MARCH 31, 2014**

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Total Fund Balance - Governmental Funds \$ 1,177,212

Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capitalized assets used in governmental activities are not  
financial resources and are therefore, not reported in  
governmental funds.

Cost of Capital Assets:

Land	\$ 177,537	
Building	185,000	
Land Improvements	89,662	
Equipment and Furnishings	1,055,406	
Less: Accumulated Depreciation	<u>(734,704)</u>	<u>772,901</u>

Net Position of Governmental Activities \$ 1,950,113

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

**ONEKAMA TOWNSHIP**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Northpoint Park Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Taxes	\$ 418,583	\$ 141,734	\$ -	\$ 560,317
Special Assessment	18,392	-	-	18,392
State Grants	287,645	-	-	287,645
Local Grants	-	8,083	-	8,083
Charges for Services	4,370	10,650	-	15,020
Investment Earnings	728	67	-	795
Rents and Royalties	5,907	-	-	5,907
Other Revenue	1,418	5,208	1,490	8,116
Total Revenues	<u>\$ 737,043</u>	<u>\$ 165,742</u>	<u>\$ 1,490</u>	<u>\$ 904,275</u>
<b><u>Expenditures</u></b>				
Current:				
General Government	\$ 261,155	\$ -	\$ -	\$ 261,155
Public Safety	1,292	130,359	-	131,651
Community and Economic Development	25,618	-	-	25,618
Recreation and Cultural	15,159	-	12,072	27,231
Public Works	196,763	-	-	196,763
Other	297,327	-	-	297,327
Total Expenditures	<u>\$ 797,314</u>	<u>\$ 130,359</u>	<u>\$ 12,072</u>	<u>\$ 939,745</u>
<b><u>Excess of Revenues Over (Under)</u></b>				
<b><u>Expenditures</u></b>	<u>\$ (60,271)</u>	<u>\$ 35,383</u>	<u>\$ (10,582)</u>	<u>\$ (35,470)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	\$ -	\$ -	\$ 8,000	\$ 8,000
Transfers out	(8,000)	-	-	(8,000)
Total Other Financing Sources (Uses)	<u>\$ (8,000)</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>
<b><u>Excess of Revenues and Other Sources Over (Under)</u></b>				
<b><u>Expenditures and Other Uses</u></b>	<u>\$ (68,271)</u>	<u>\$ 35,383</u>	<u>\$ (2,582)</u>	<u>\$ (35,470)</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>943,958</u>	<u>247,403</u>	<u>21,321</u>	<u>1,212,682</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 875,687</u>	<u>\$ 282,786</u>	<u>\$ 18,739</u>	<u>\$ 1,177,212</u>

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

**ONEKAMA TOWNSHIP**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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Net Change in Fund Balance - Total Governmental Funds \$ (35,470)

Amounts reported for Governmental Activities in the Statement of Activities  
are different because:

Governmental funds report outlays for capital assets as expenditures.  
In the Statement of Activities, these assets are depreciated over  
their estimated useful lives.

Depreciation	\$ (32,167)	
Capital Outlay	<u>25,852</u>	(6,315)

Governmental funds report revenue from sales of capital assets at the  
gross amount received. In the Statement of Activities the revenues are  
reported net of remaining book value. (1,633)

Change in Net Position-Governmental Activities \$ (43,418)

**ONEKAMA TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**MARCH 31, 2014**

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	<b>Agency Funds</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 1,728
Due from Other Governments	883
<b><u>Total Assets</u></b>	<b><u>\$ 2,611</u></b>
<b><u>Liabilities</u></b>	
Due to Other Funds	\$ 2,611
<b><u>Total Liabilities</u></b>	<b><u>\$ 2,611</u></b>
<b><u>Net Position</u></b>	<b><u>\$ -</u></b>

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

**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The financial statements of Onekama Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is Onekama Township. The Township is governed by an elected Township Council. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Basis of Presenting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.



**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting and Basis of Presenting – (continued)**

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.

Property taxes, franchise taxes, 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 cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

When fund balance resources are available for a specific purpose in more than one classification, it is the Township's policy to use the most restrictive funds.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Onekama Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Northpoint Park Fund* accounts for revenue sources that are legally restricted to expenditures for the park.

**ONEKAMA TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus, Basis of Accounting and Basis of Presenting – (continued)**

Additionally Onekama Township reports the following fund type:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity. The only agency fund is the Current Tax Collection Fund.

**Assets, Liabilities and Net Assets or Equity**

**Bank Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition. The Township's investment policy is in compliance with state law and authorizes the Township to invest in passbook saving accounts, certificate of deposit, and money market funds. The Township does not have any investments other than interest bearing bank accounts.

**Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after August 14. County and school taxes are levied and are due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations.

The 2013 taxable valuation of Onekama Township totaled \$ 169,151,440, on which ad valorem taxes levied consisted of 1.4283 mills for the Onekama Township operating purposes, .9522 mills for roads and 1.000 mils for Onekama Township fire protection.

**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Inventories

Inventories are not significant and are expensed as acquired

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable columns 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Vehicles	10
Equipment and furnishings	5 – 7

Net Position or Fund Balance

The following net position or fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purpose by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets or Fund Balance (continued)**

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority: to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

**Use of Estimates**

The presentation 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

*1. Budgetary Basis of Accounting*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on April 2, 2013. The budget was not amended during the fiscal year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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2. *Excess of Expenditures Over Appropriations*

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund		
General Government		
Clerk	\$ 32,000	\$ 36,633
Treasurer	35,000	35,181
Elections	4,000	4,849
Public Safety		
Liquor Control Enforcement	1,200	1,292
Other		
Invasive Species	82,895	84,050
Dredging Project	-	213,277

**NOTE 3 – DEPOSITS**

The Township maintains its bank accounts with five banking institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of March 31, 2014, the Township’s cash deposits consisted of \$ 1,198,433, of which \$ 337,769 exceeded the FDIC insured limits and was uninsured and uncollateralized. These funds are exposed to custodial credit risk.

Management evaluates the institutions in which the Township deposits its funds and assesses the level of risk associated with the institution. Management believes that the Township is not exposed to any significant credit risk on its cash deposits.

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES, TRANSFERS**

Individual fund interfund receivable and payable balances at March 31, 2014, were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 2,611	\$ 502
Fire Fund	502	-
Fiduciary Fund – Current		
Tax Collection Fund	-	2,611
	\$ 3,113	\$ 3,113

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

**ONEKAMA TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014**

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**NOTE 5 – 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, and natural disasters for which the Township carries commercial insurance. Liabilities in excess of commercial insurance, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the past three years.

**NOTE 6 – CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 177,537	\$ -	\$ -	\$ 177,537
Capital Assets Being Depreciated:				
Buildings	\$ 185,000	\$ -	\$ -	\$ 185,000
Land improvements	85,075	4,587	-	89,662
Equipment /Furnishings	1,074,486	27,988	(47,068)	1,055,406
Subtotal	<u>\$ 1,344,561</u>	<u>\$ 32,575</u>	<u>\$ (47,068)</u>	<u>\$ 1,330,068</u>
Less: Accumulated Depreciation for:				
Buildings	\$ (90,958)	\$ (3,700)	\$ -	\$ (94,658)
Land Improvements	(31,859)	(4,407)	-	(36,266)
Equipment /Furnishings	(625,155)	(24,060)	45,435	(603,780)
Subtotal	<u>\$ (747,972)</u>	<u>\$ (32,167)</u>	<u>\$ 45,435</u>	<u>\$ (734,704)</u>
Net Capital Assets Being Depreciated	<u>\$ 596,589</u>	<u>\$ 408</u>	<u>\$ (1,633)</u>	<u>\$ 595,364</u>
Governmental Activities Capital Total:				
Capital Assets – Net of Depreciation	<u>\$ 774,126</u>	<u>\$ 408</u>	<u>\$ (1,633)</u>	<u>\$ 772,901</u>

**ONEKAMA TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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**NOTE 6 – CAPITAL ASSETS (continued)**

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

General Government	\$ 11,960
Public Safety	15,247
Culture and Recreation	<u>4,960</u>
Total	<u>\$ 32,167</u>

**Construction Commitments:**

The Township has no outstanding construction commitments as of March 31, 2014.

**Note 7 – Related Party**

Onkama Township entered into a contract with County Wide Appraisal Service, Inc. to maintain the assessment records of the Township. County Wide Appraisal Services, Inc. is owned by David Meister, President of the Township. The contract calls for monthly payments of \$ 2,179 to County Wide Appraisal Service, Inc. and \$ 500 to Ginny Martz which expires on March 31, 2015.

Onkama Township has utilized the snowplowing services of Bret Mathieu, who is an employed fireman of Onkama Township and the son of the Township clerk, Helen Mathieu. The total paid to Bret Mathieu for snowplowing services during the year ended March 31, 2014 was \$2,060.

**Note 8 – Date of Management Review**

In preparing the financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through September 30, 2014 the date of the financial statements we available to be issued.

**ONEKAMA TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Revenues</u></b>				
Taxes	\$ 249,921	\$ 249,921	\$ 276,849	\$ 26,928
Road Millage	142,286	142,286	141,734	(552)
Special Assessments	-	-	18,392	18,392
State Grants	125,378	125,378	286,577	161,199
Liquor Enforcement	1,200	1,200	1,068	(132)
Charges for Services	300	300	984	684
Permits	2,500	2,500	3,670	1,170
Joint Planning	3,000	3,000	-	(3,000)
Interest/Royalties/Rent Income	7,500	7,500	6,646	(854)
Other Revenues	-	-	1,123	1,123
<b>Total Revenues</b>	<b>\$ 532,085</b>	<b>\$ 532,085</b>	<b>\$ 737,043</b>	<b>\$ 204,958</b>
<b><u>Expenditures</u></b>				
General Government:				
Township Board	\$ 125,000	\$ 125,000	\$ 84,854	\$ 40,146
Supervisor	14,000	14,000	10,677	3,323
Clerk	32,000	32,000	36,633	(4,633)
Treasurer	35,000	35,000	35,181	(181)
Elections	4,000	4,000	4,849	(849)
Assessor	39,000	39,000	35,413	3,587
Board of Review	2,500	2,500	1,144	1,356
Township Hall	55,000	55,000	47,139	7,861
Cemetery	8,000	8,000	5,264	2,736
Disincorporation	58,878	58,878	-	58,878
Public Safety:				
Liquor Control Enforcement	1,200	1,200	1,292	(92)
Public Works:				
Roads	409,839	409,839	196,763	213,076
Community and Economic Development:				
Appeals Board	3,500	3,500	2,234	1,266
Planning Commission	24,000	24,000	12,965	11,035
Land Use Administrator	11,000	11,000	10,420	580
Recreation and Cultural:				
Park Activities - Harbor Commission	75,000	75,000	15,159	59,841
Portage Lake Study	5,000	5,000	-	5,000
Other:				
Invasive Species	82,895	82,895	84,050	(1,155)
Dredging Project	-	-	213,277	(213,277)
Contingencies	40,000	40,000	-	40,000
<b>Total Expenditures</b>	<b>\$ 1,025,812</b>	<b>\$ 1,025,812</b>	<b>\$ 797,314</b>	<b>\$ 228,498</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (493,727)	\$ (493,727)	\$ (60,271)	\$ 433,456
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers Out	\$ -	\$ -	\$ (8,000)	(8,000)
<b>Fund Balance - Beginning of Year</b>	<b>\$ 943,958</b>	<b>\$ 943,958</b>	<b>\$ 943,958</b>	<b>\$ -</b>
<b>Fund Balance - End of Year</b>	<b>\$ 450,231</b>	<b>\$ 450,231</b>	<b>\$ 875,687</b>	<b>\$ 425,456</b>



**ONEKAMA TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE - FIRE FUND  
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Revenues</u></b>				
Taxes	\$ 142,004	\$ 142,004	\$ 141,734	\$ (270)
Charges for Services	9,000	9,000	10,650	1,650
Local Grants and Donations	1,000	1,000	10,067	9,067
Interest/Royalties/Rent Income	500	500	67	(433)
Other Revenues	-	-	3,224	3,224
Total Revenues	<u>\$ 152,504</u>	<u>\$ 152,504</u>	<u>\$ 165,742</u>	<u>\$ 13,238</u>
<b><u>Expenditures</u></b>				
Public Safety	<u>\$ 211,811</u>	<u>\$ 211,811</u>	<u>\$ 130,359</u>	<u>\$ 81,452</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,307)	\$ (59,307)	\$ 35,383	\$ 94,690
<b><u>Fund Balance - Beginning of Year</u></b>	<u>247,403</u>	<u>247,403</u>	<u>247,403</u>	<u>-</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 188,096</u>	<u>\$ 188,096</u>	<u>\$ 282,786</u>	<u>\$ 94,690</u>

**ONEKAMA TOWNSHIP  
BUDGETARY COMPARISON SCHEDULE - NORTHPOINT PARK FUND  
FOR THE YEAR ENDED MARCH 31, 2014**

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b><u>Revenues</u></b>				
Local Grants and Donations	\$ 500	\$ 500	\$ 1,490	\$ 990
<b><u>Expenditures</u></b>				
Recreation and Culture	\$ 21,821	\$ 21,821	\$ 12,072	\$ 9,749
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,321)	\$ (21,321)	\$ (10,582)	\$ 10,739
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	\$ -	\$ -	\$ 8,000	8,000
<b><u>Fund Balance - Beginning of Year</u></b>	21,321	21,321	21,321	-
<b><u>Fund Balance - End of Year</u></b>	\$ -	\$ -	\$ 18,739	\$ 18,739

VANDERWAL  
SPRATTO  
& RICHARDS, P.C.

DALE L. VANDERWAL, C.P.A.  
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY  
MANISTEE

Of Counsel:  
JOHN A. SPRATTO, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

*Serving Our Clients for Over 50 Years*

September 30, 2014

To the Township Board  
Onkama Township  
Manistee County  
Onkama, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onkama Township for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Onkama Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the organization's financial statements was:

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Management's estimate of depreciation based on past experience and State of Michigan standards. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures were neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The attached journal entries include material misstatements detected as a result of audit procedures that were corrected by management.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 30, 2014.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to the *Management's Discussion and Analysis*, and *Budgetary Comparison Schedules*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the 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.

Restriction on Use

This information is intended solely for the use of the Township Board and management of Onkama Township, Manistee County, Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

*Vanderwal, Spralle & Richard, P. C.*  
Certified Public Accountants

**VANDERWAL  
SPRATTO  
& RICHARDS, P.C.**

DALE L. VANDERWAL, C.P.A.  
DAVID L. RICHARDS, C.P.A., A.B.V.

TRAVERSE CITY  
MANISTEE

Of Counsel:  
JOHN A. SPRATTO, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS  
*Serving Our Clients for Over 50 Years*

To the Township Board  
Onkama Township  
Manistee County  
Onkama, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onkama Township as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Onkama Township's internal control over financial reporting (internal control) as a basis for designing 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 Onkama Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Onkama 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 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 following deficiencies in internal control to be material weaknesses:

1. Material adjusting journal entries were required to be made to revenues and receivables in order to properly reflect classification of revenues and to properly record revenues in the appropriate time period. If these necessary adjustments had not been discovered, the revenues would not have been fairly stated in the financial statements.
2. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of government's management. As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external

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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. The government has made the decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

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.

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

*Vanderwal, Spatta & Richards, P.C.*  
Certified Public Accountants  
Manistee, Michigan  
September 30, 2014