

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014
WITH
INDEPENDENT AUDITORS' REPORT**

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
TABLE OF CONTENTS**

	<u>Page Number</u>
Management's Discussion and Analysis	i - v
Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Government Wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet – Governmental Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	7
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund	8
Notes to Financial Statements	9 - 16

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2014

As management of Saline Township, Washtenaw County, Michigan, we offer readers of Saline Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Saline Township, Washtenaw County, Michigan for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Saline Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year by \$933,114 (*net position*). Of this amount, \$770,318 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased \$(57,978).
- As of the close of the current year, Saline Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$770,318, a decrease of \$(31,915) in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General Fund was \$770,318 or 193.60 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Saline Township, Washtenaw County, Michigan's basic financial statements. Saline Township, Washtenaw County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Saline Township, Washtenaw County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Saline Township, Washtenaw County, Michigan'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 Saline Township, Washtenaw County, Michigan 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., uncollected taxes).

The government-wide financial statements can be found on pages 3 – 4 of this report.

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. Saline Township, Washtenaw County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Saline Township, Washtenaw County, Michigan can be divided into two categories: governmental and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Saline Township, Washtenaw County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the major governmental fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 5 – 6 of this report.

The basic fund financial statements with budget can be found on page 7 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-16 of this report.

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 Saline Township, Washtenaw County, Michigan, assets exceeded liabilities by \$770,318 at the close of the most recent fiscal year.

A portion of Saline Township, Washtenaw County, Michigan's net position (8 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. Also, 9 percent of net position represents investment in joint venture.

Saline Township, Washtenaw County, Michigan's Net position

	Governmental Activities
Current and other assets	\$ 771,895
Capital assets	75,556
Joint venture	<u>87,240</u>
Total assets	<u>\$ 934,691</u>
Other liabilities	<u>\$ 1,577</u>
Total liabilities	<u>1,577</u>
Net Position:	
Invested in capital assets and joint venture	162,796
Restricted for:	
Unrestricted	<u>770,318</u>
Total net position	<u>\$ 933,114</u>

The balance of *unrestricted net position* (\$770,318) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Saline Township, Washtenaw County, Michigan is able to report a positive balance in net position for the government as a whole. The same situation held true for the prior fiscal year.

A summary of Saline Township's change in net position is as follows:

Summary of Saline Township, Washtenaw County, Michigan's Change in Net position

	<u>Governmental Activities</u>
Program revenues:	
Permit fees	\$ 11,268
Fire	526
Election	-
Administrative tax collection fee	<u>25,260</u>
Total program revenues	<u>37,054</u>
General revenues:	
Property taxes	158,043
State revenues	140,947
Investment earnings	2,218
Other	<u>27,719</u>
Total general revenues	<u>328,927</u>
Total revenues	<u>365,981</u>
Program expenses:	
Governmental activities:	
General government	144,779
Public safety	128,702
Highways and streets	135,988
Sanitation	<u>14,490</u>
Total expenses	<u>423,959</u>
Change in net position	(57,978)
Net Position-beginning of year	<u>991,092</u>
Net Position-end of year	<u>\$ 933,114</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Saline Township, Washtenaw County, Michigan's governmental fund (General Fund) reported an ending fund balance of \$770,318, a decrease of \$(31,915) in comparison with the prior year.

General Fund Budgetary Highlights

In the budget for revenue the road millage expired in 2012, but there was a revenue line item. Also, the drainage work with the road commission did not happen. Actual expenditures were less than budget for road work and elections.

Capital assets. Saline Township, Washtenaw County, Michigan's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$75,556 net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment, and fire vehicles and equipment. The net decrease in Saline Township, Washtenaw County, Michigan's investment in capital assets for the current fiscal year was \$(6,943).

Saline Township, Washtenaw County, Michigan's Capital Assets

	<u>Governmental Activities</u>
Land	\$ 1,000
Buildings	59,754
Furniture and equipment	7,004
Fire vehicles and equipment	<u>7,798</u>
Total	<u>\$ 75,556</u>

Additional information on Saline Township's capital assets can be found in Note 4 on page 14.

Economic Factors and Next Year's Budgets and Rates

The budget for FY 2014-15 is expecting revenues to be comparable to prior year's actual revenue received. Budgeted expenditures are projected to be less than prior year with less road work.

Requests for Information

This financial report is designed to provide a general overview of Saline Township, Washtenaw County, Michigan'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 should be addressed to Saline Township, 5731 Braun Road, Saline, Michigan 48176.

June 24, 2014

INDEPENDENT AUDITORS' REPORT

Saline Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saline Township, Washtenaw 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 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.

Saline Township
Washtenaw County, Michigan

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 Saline Township, Washtenaw County, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in conformity 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 on pages i to v 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 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.

Robertson, Eaton & Owen, P.C.

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

	Primary Government
	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 515,710
Taxes receivable	8,562
Due from tax collection	247,623
Total current assets	771,895
Investment in Joint Venture - Saline Area Fire Department	87,240
Capital assets; net of accumulated depreciation	
Land	1,000
Buildings and improvements	59,754
Furniture and equipment	7,004
Fire vehicles and equipment	7,798
Total capital assets	75,556
Total assets	\$ 934,691
LIABILITIES AND NET POSITION:	
Liabilities:	
Accounts payable	\$ 1,128
Escrow deposits payable	449
Total liabilities	1,577
NET POSITION:	
Invested in capital assets and joint venture	162,796
Unrestricted	770,318
Total net position	\$ 933,114

The notes to the financial statements are an integral part of this statement.

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

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Governmental Activities</u>
Governmental activities:			
Primary Government:			
General government	\$ 144,779	\$ 36,528	\$ (108,251)
Public safety	128,702	526	(128,176)
Highways, streets and bridges	135,988	-	(135,988)
Sanitation	14,490	-	(14,490)
	<u>423,959</u>	<u>37,054</u>	<u>(386,905)</u>
Total governmental activities	<u>\$ 423,959</u>	<u>\$ 37,054</u>	<u>\$ (386,905)</u>

General revenues:	
Property taxes-general	\$ 80,120
Property taxes-fire	77,923
Property taxes-Roads	-
State shared revenue	140,947
Investment earnings	2,218
Other	27,719
	<u>328,927</u>
Total general revenues	<u>328,927</u>
Change in net position	(57,978)
Net position-beginning of year	<u>991,092</u>
Net position-end of year	<u>\$ 933,114</u>

The notes to the financial statements are an integral part of this statement.

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

	Governmental Fund Type
	General Fund
ASSETS:	
Cash and cash equivalents	\$ 515,710
Taxes receivable	8,562
Due from tax collection	247,623
Total assets	\$ 771,895
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,128
Escrow deposits payable	449
Payroll tax payable	-
Total liabilities	1,577
Fund balances:	
Unassigned	770,318
Total fund balances	770,318
Total liabilities & fund balances	\$ 771,895
Total governmental fund balance	\$ 770,318
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in the governmental activities are not financial resources and are not reported in the fund.	
The cost of the capital asset is	477,002
The accumulated depreciation is	(401,446)
Investment in joint venture is not a current financial assets and is not reported in the fund.	87,240
Net position of governmental activities	\$ 933,114

The notes to the financial statements are an integral part of this statement.

SALINE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
FOR YEAR ENDED MARCH 31, 2014

	Governmental Fund Type
	General Fund
Revenues:	
Property taxes:	
General	\$ 80,120
Fire	77,923
ACT 425	4,508
State shared revenue	140,947
Metro authority	3,032
Trailer Fees	1,706
Charges for services:	
Licenses, fees and permits	11,268
Fire Runs	526
Administrative and tax collection fees	25,260
Hall rental	50
Investment earnings	2,218
Matching Funds-Road Commission	9,745
Miscellaneous	8,678
Total revenues	365,981
Expenditures:	
Current:	
General Government	138,986
Public safety	108,432
Highways, streets and bridges	135,988
Sanitation	14,490
Total expenditures	397,896
Change in fund balance	(31,915)
Fund balance - beginning of year	802,233
Fund balance - end of year	\$ 770,318
Change in fund balances-total governmental funds	\$ (31,915)
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 these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(6,943)
Add: Capital outlays	-
The change in investment in joint venture is not shown in the governmental fund.	(19,120)
Change in net position of governmental activities	\$ (57,978)

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
REVENUES:				
Property taxes:				
General	\$ 77,000	\$ 77,000	\$ 80,120	\$ 3,120
Fire	76,000	76,000	77,923	1,923
Roads	82,000	82,000	-	(82,000)
ACT 425	4,500	4,500	4,508	8
State shared revenue	135,500	135,500	140,947	5,447
Metro authority	3,000	3,000	3,032	32
Trailer Fees	2,000	2,000	1,706	(294)
Charges for services:				
Licenses, fees and permits	10,000	10,000	11,268	1,268
Fire Runs	700	700	526	(174)
Administrative and tax collection fees	28,800	28,800	25,260	(3,540)
Hall rental	150	150	50	(100)
Cemetery lots	1,000	1,000	-	(1,000)
Investment earnings	700	700	2,218	1,518
Drainage Match-Road Commission	24,375	24,375	-	(24,375)
Matching Funds-Road Commission	9,745	9,745	9,745	-
Miscellaneous	1,600	1,600	8,678	7,078
Total revenues	<u>457,070</u>	<u>457,070</u>	<u>365,981</u>	<u>(91,089)</u>
EXPENDITURES:				
General Government:				
Township Board	20,360	20,360	16,345	4,015
Supervisor	17,613	17,613	17,613	-
Assessor	15,000	15,000	15,000	-
Clerk	17,613	17,613	17,613	-
Treasurer	17,613	17,613	17,613	-
Professional fees	15,050	15,050	9,635	5,415
Boards of Review and Appeals	1,600	1,600	1,125	475
Building and grounds	8,260	8,260	9,072	(812)
Cemetery	4,500	4,500	3,925	575
Insurance	9,200	9,200	8,295	905
Planning Commission	3,000	3,000	1,510	1,490
Zoning	11,469	11,469	11,469	-
Payroll taxes	7,000	7,000	8,512	(1,512)
Road Commission Drain Match	8,125	8,125	-	8,125
Miscellaneous	1,900	1,900	-	1,900
Election	6,400	6,400	1,259	5,141
Total general government	<u>164,703</u>	<u>164,703</u>	<u>138,986</u>	<u>25,717</u>
Public safety:				
Fire protection	107,166	107,166	108,432	(1,266)
Total public safety	<u>107,166</u>	<u>107,166</u>	<u>108,432</u>	<u>(1,266)</u>
Highways, streets and bridges:				
Highways, streets and bridges	163,051	163,051	135,988	27,063
Total highways, streets and bridges	<u>163,051</u>	<u>163,051</u>	<u>135,988</u>	<u>27,063</u>
Sanitation:				
Clean-up	6,650	6,650	724	5,926
Drain at large	5,500	5,500	2,123	3,377
Recycling	10,000	10,000	11,643	(1,643)
Total sanitation	<u>22,150</u>	<u>22,150</u>	<u>14,490</u>	<u>7,660</u>
Total expenditures	<u>457,070</u>	<u>457,070</u>	<u>397,896</u>	<u>59,174</u>
Change in fund balance	-	-	(31,915)	(31,915)
Fund balance - beginning of year			<u>802,233</u>	
Fund balance - end of year			<u>\$ 770,318</u>	

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
MARCH 31, 2014**

	<u>Agency Fund</u>
	<u>Tax Collection</u>
ASSETS:	
Cash and cash equivalents	\$ 339,938
Total assets	<u>\$ 339,938</u>
LIABILITIES:	
Due to general fund	\$ 247,623
Due to other taxing units	<u>92,315</u>
Total liabilities	<u>\$ 339,938</u>

The notes to the financial statements are an integral part of this statement.

SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Saline Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Saline Township is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Saline Township as a primary government. There are no component units to the Township. The Township is in a joint venture with Saline Area Fire Department for fire protection.

B. 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 Township. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net position as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

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.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recorded only when payment is due.

Amounts due from other governments and services provided 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.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the government reports the following fiduciary fund type:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

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

D. Estimates

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

E. Assets, liabilities, and net position or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity 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 noncurrent portion of interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statements as "internal balances".

Personal property taxes receivable is shown net of an allowance for uncollectibles. At March 31, 2014, there is no allowance for uncollectibles.

3. Property taxes

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2013 ad valorem tax was levied and collectible on December 1, 2013. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which is usually more than 60 days, purchases the 2013 delinquent real property taxes is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2013 adjusted taxable value of Saline Township totals \$87,246,472, on which the taxes are levied for Township purposes. The millage rate for the Township operations is .9184 mill, with taxes being \$80,120.

The Township has a special assessment of 1 mill for fire protection based only on the real property taxable value. The Township also has a special assessment of 1 mill for roads. The total special assessment for fire protection was \$77,923 and for roads was \$0.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital assets

Capital assets, which include property, building, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and costing \$500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	75
Building improvements	10
Furniture and equipment	10-20
Office equipment	5

6. Fund Balance Classification Policies and Procedures

Fund balance classification shown in the governmental fund financial statements are nonspendable, restricted, committed, assigned and unassigned.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Township Board.

Amounts in the assigned fund balance classification are constrained by the Township Board's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the Township itself or a delegated body (for example a budget or finance committee) or an official to which the Township Board has delegated the authority to assign accounts to be used for specific purposes.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fund Balance Classification Policies and Procedures (Continued)

Unassigned fund balances is the residual classification usually for the Township's General Fund and includes all spendable amounts not contained in the other classifications.

Under Township policy, when both restricted and unrestricted (committed, assigned or unassigned) amounts are available for a purpose, the Township considers using the restricted funds first and then the unrestricted when an expenditure is incurred. Within the unrestricted fund balance amounts, the Township considers the committed first used, then unassigned for an applicable expenditure.

For determination of classification the Township first determines the nonspendable then the restricted, committed, assigned and unassigned, in that order. If a deficit occurs for a certain purpose in a fund, assigned amounts for other purposes would be used to offset the deficit if possible.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

The Saline Township General Fund did not incur expenditures in excess of total amount appropriated. Four line items in the General Fund incurred expenditures in excess of the amount budgeted, as follows:

<u>General Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Government:			
Building and Grounds	\$ 8,260	\$ 9,072	\$ 812
Payroll Taxes	7,000	8,512	1,512
Recycling	10,000	11,643	1,643
Fire Protection	107,166	108,432	1,266

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2014, \$73,826 of the Township's bank balance of \$866,714 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 73,826</u>
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Two banks hold majority of the Township's deposits- 48% in Bank of Ann Arbor and 17% in United Bank & Trust.

NOTE 4. CAPITAL ASSETS

Capital asset activity is as follows:

	<u>Balance March 31, 2013</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Balance March 31, 2014</u>
Governmental activities:				
Assets not being depreciated - land	\$ 1,000			\$ 1,000
Buildings and improvements	305,047	-	-	305,047
Furniture and equipment	29,287	-	-	29,287
Fire vehicles and equipment	141,668	-	-	141,668
Depreciable capital assets	<u>476,002</u>	<u>-</u>	<u>-</u>	<u>476,002</u>
Accumulated depreciation:				
Buildings and improvements	240,687	4,606	-	245,293
Furniture and equipment	21,096	1,187	-	22,283
Fire vehicles and equipment	132,720	1,150	-	133,870
Total accumulated depreciation	<u>394,503</u>	<u>6,943</u>	<u>-</u>	<u>401,446</u>
Net depreciable capital assets	<u>81,499</u>	<u>(6,943)</u>	<u>-</u>	<u>74,556</u>
Governmental activities net capital assets	<u>\$ 82,499</u>	<u>\$ (6,943)</u>	<u>\$ -</u>	<u>\$ 75,556</u>

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	\$ 5,793
Public safety	<u>1,150</u>
Total depreciation expense-governmental activities	<u>\$ 6,943</u>

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township is a member of the Michigan Township Participating Plan ("Plan") to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses and to defend and protect against liability or loss. The Plan provides protection to the Township based on its selected risks, limits and deductibles. Any settled claims have not exceeded the limits of coverage in any of the past three years.

NOTE 6. JOINT VENTURE - SALINE AREA FIRE DEPARTMENT

The Township is a participant with the City of Saline and the Townships of Lodi and York in the operations of the Saline Area Fire Department (SAFD), a volunteer fire department organized for the purpose of providing fire protection for the City and Townships. The SAFD is governed by an eight-member board whose directors are selected and approved by the respective City and Township Boards. The board annually approves an operating budget for the SAFD and is responsible for all operating and financing decisions of the SAFD.

Under the terms of the agreement, the Township pays a percentage of the cost of capital outlay and operating expenditures for the SAFD. This percentage, which is currently 10.6%, is reviewed and adjusted as necessary on an annual basis based upon real and personal state equalized value, service area, population, miles of roads and family dwelling units.

The ownership of all personal property and an equitable interest in all real estate acquired by the SAFD is vested in the Township in direct proportion to the contribution made by the Township to the cost of the related real and personal property. If the agreement is terminated by the Township by notice of withdrawal, the capital interest of the Township will be returned to the Township in five equal installments commencing one year after the date of withdrawal, plus interest at the rate of 6% per annum on the unpaid balance.

Separately issued financial statements can be obtained from the Saline Area Fire Department.

Condensed financial information related to the SAFD as of June 30, 2013, is as follows:

	<u>Governmental Activities</u>
Statement of Net Position:	
Total assets	\$ 1,529,885
Total liabilities	\$ 706,870
Net position	<u>\$ 823,015</u>
Statement of Activities:	
Revenues	\$ 899,710
Expenses	<u>\$ 1,080,084</u>
Change in net position	\$ (180,374)
Beginning net position	<u>\$ 1,003,389</u>
Ending net position	<u>\$ 823,015</u>

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2014**

NOTE 7. SUBSEQUENT EVENTS

There has been no subsequent events since March 31, 2014 to June 24, 2014, which would have a material effect on the Township's financial condition.

June 24, 2014

To the Board of Trustees
Saline Township
Washtenaw County, Michigan

We appreciate the opportunity to conduct your audit this year. We are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and whether these deficiencies (if any) are determined to be significant deficiencies or material weaknesses.

In planning and performing our audit of the financial statements of the Saline Township, Michigan, for period ending March 31, 2014, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. It is important to note that control deficiencies are not necessarily problems you will choose to address, however, they do represent potential risks. Our job as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. During our audit we found one significant deficiency in internal control. See following Schedule of Findings and Responses.

Materials Weaknesses

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. During our audit we found no material weaknesses.

SALINE TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2014

Finding considered a significant deficiency

Criteria:

Statement on Auditing Standards No. 115 titled *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently, the Township prepares the interim financial reports and assists the external auditors in preparation of the annual audit report. However, the Township lacks an adequate design of internal control over the preparation of the financial statement footnotes being audited.

Cause

The Township does not have a staff person with the level of expertise necessary to prepare its footnotes and relies on the auditor for the preparation of the notes; for which there is no oversight.

Effect

The Township's design of control over financial statement footnotes, does not allow management to prevent or detect and correct misstatements on a timely basis.

Recommendation

Consider whether this is a risk that the Township is willing to accept.

Client Response

We are aware of this deficiency and believe it is not cost beneficial to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.