

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

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
INDEPENDENT AUDITORS' REPORT
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**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended March 31, 2014

As management of Lodi Township, Washtenaw County, Michigan, we offer readers of Lodi Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Lodi 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 Lodi Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$2,464,287 (*net position*). Of this amount, \$1,912,683 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased \$140,531.
- As of the close of the current year, Lodi Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$2,008,583, a decrease of \$(76,146) in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$1,912,683 or 152 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lodi Township, Washtenaw County, Michigan's basic financial statements. Lodi 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 Lodi 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 Lodi 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 Lodi 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. Lodi 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 Lodi 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*.

Lodi 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 pages 7 – 8 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 statements can be found on pages 9 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 10 – 20 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 Lodi Township, Washtenaw County, Michigan, assets exceeded liabilities by \$2,464,287 at the close of the most recent fiscal year.

A portion of Lodi 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, 11 percent of net position represent the Township's investment in the Saline Area Fire Department. Lodi Township, Washtenaw County, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Lodi Township, Washtenaw County, Michigan's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Lodi Township, Washtenaw County, Michigan's Net position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 2,036,302	\$ 2,117,063
Capital Assets	191,187	205,226
Investment in joint venture	264,517	314,863
Total Assets	<u>2,492,006</u>	<u>2,637,152</u>
Deferred Outflows		
Special assessment	47,228	54,237
Other Liabilities	7,530	11,170
Total Liabilities	<u>7,530</u>	<u>11,170</u>
Deferred Inflows		
Special Assessment	47,228	54,237
Escrow and Deposit accounts	20,189	21,164
Total Deferred inflows of resources	<u>67,417</u>	<u>75,401</u>
Net Position:		
Invested in capital assets and joint venture	455,704	520,089
Restricted for cementery	95,900	90,941
Unrestricted	1,912,683	1,993,788
Total Net Position	<u>\$ 2,464,287</u>	<u>\$ 2,604,818</u>

The balance of *unrestricted net position* (\$1,912,683) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Lodi 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.

**LODI TOWNSHIP, WASHTENAW COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Program revenues:		
Licenses & permits	\$ 20,365	\$ 16,123
Special assessments	262,837	295,845
Fees for services	<u>17,544</u>	<u>15,993</u>
Total program revenues	<u>300,746</u>	<u>327,961</u>
General revenues:		
Property taxes	347,748	353,917
Franchise taxes	59,393	54,112
State revenues	455,439	446,789
Investment earnings	16,019	24,811
175th Anniversary	-	450
Other	<u>6,862</u>	<u>8,401</u>
Total general revenues	<u>885,461</u>	<u>888,480</u>
Total revenues	<u>1,186,207</u>	<u>1,216,441</u>
Program expenses:		
Governmental activities:		
General government	\$ 297,061	\$ 322,759
Public safety	840,849	832,601
Highways and streets	162,137	315,008
Sanitation	<u>26,691</u>	<u>25,168</u>
Total expenses	<u>1,326,738</u>	<u>1,495,536</u>
Change in net position	(140,531)	(279,095)
Net position-beginning of year	<u>2,604,818</u>	<u>2,902,260</u>
Adjustment of escrow accounts	-	(18,347)
Net position-end of year	<u>\$ 2,464,287</u>	<u>\$ 2,604,818</u>

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of Lodi 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 Lodi 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, Lodi Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$2,008,583, a decrease of \$(76,146) in comparison with the prior year.

The General Fund is the chief operating fund of Lodi Township, Washtenaw County, Michigan. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,912,683.

General Fund Budgetary Highlights

The original budget was amended to cover additional road maintenance and work, adding \$130,809 to budget expenses. This increase in road cost was to be covered by a transfer from fund balance.

Capital Assets

Capital assets. Lodi Township, Washtenaw County, Michigan's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$191,187 net of accumulated depreciation. This investment in capital assets includes land, buildings, furniture and equipment and land improvements. The total increase in Lodi Township, Washtenaw County, Michigan's investment in capital assets for the current fiscal year was \$0.

Lodi Township, Washtenaw County, Michigan's Capital Assets

Additional information on Lodi Township's capital assets can be found in Note 5 on page 19.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 35,090	\$ 35,090
Land Improvements	15,061	16,163
Buildings	125,845	132,227
Furniture and equipment	15,191	21,746
Total	<u>\$ 191,187</u>	<u>\$ 205,226</u>

Economic Factors and Next Year's Budgets and Rates

The Township's budget for FY 2014-15 shows a slight increase in revenues due to increases in State revenues sharing and fire special assessment. The expenditures in the budget are similar to prior year, except public works-roads has been reduced by \$110,000 from prior year's final budget.

Requests for Information

This financial report is designed to provide a general overview of Lodi 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 Lodi Township, 3755 Pleasant Lake Road, Ann Arbor, Michigan 48103.

June 19, 2013

INDEPENDENT AUDITORS' REPORT

Lodi 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 Lodi 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.

Lodi 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 Lodi 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 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.

Robertson, Eaton & Owen, P.C.

**LODI TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2014
WITH COMPARATIVE TOTALS FOR MARCH 31, 2013**

	Primary Government	
	Governmental Activities	
	2014	2013
ASSETS:		
Current assets:		
Cash	\$ 187,472	\$ 153,169
Cash - cemetery	36,984	32,314
Investments - cemetery	58,916	58,627
Investments	1,719,583	1,834,193
Taxes receivable	17,475	23,328
Due from tax collection fund	12,027	12,223
Accrued interest receivable	3,845	3,209
Total current assets	2,036,302	2,117,063
Investment in joint venture-Saline Area Fire Department	264,517	314,863
Capital assets; net of accumulated depreciation:		
Land	35,090	35,090
Buildings and improvements	125,845	132,227
Furniture and equipment	15,191	21,746
Land improvements	15,061	16,163
Total capital assets	191,187	205,226
Total assets	2,492,006	2,637,152
DEFERRED OUTFLOWS OF RESOURCES		
Special assessment receivable Waters Road	47,288	54,237
LIABILITIES:		
Accounts payable	7,530	11,170
Total liabilities	7,530	11,170
DEFERRED INFLOWS OF RESOURCES		
Escrow and Deposit accounts	20,189	21,164
Special assessments outstanding Waters Road	47,288	54,237
Total deferred and inflows of resources	67,477	75,401
NET POSITION:		
Invested in capital assets and joint venture	455,704	520,089
Restricted for cemetery	95,900	90,941
Unrestricted	1,912,683	1,993,788
Total net position	\$ 2,464,287	\$ 2,604,818

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

**LODI TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2013**

Functions/programs				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Program Revenues		Governmental Activities	
		Charges for Services	Operating Grants	Totals	Totals
				2014	2013
Governmental activities:					
General government	\$ 297,061	\$ 37,909	\$ -	\$ (259,152)	\$ (290,643)
Public safety	840,849	262,837	-	(578,012)	(536,756)
Highways and streets	162,137	-	-	(162,137)	(315,008)
Sanitation	26,691	-	-	(26,691)	(25,168)
Total governmental activities	<u>\$ 1,326,738</u>	<u>\$ 300,746</u>	<u>\$ -</u>	<u>\$ (1,025,992)</u>	<u>\$ (1,167,575)</u>
General revenues:					
Property taxes				\$ 347,748	\$ 353,917
Franchise taxes				59,393	54,112
State revenues				455,439	446,789
Investment earnings				16,019	24,811
175th Anniversary				-	450
Other				6,862	8,401
Total general revenues				<u>885,461</u>	<u>888,480</u>
Change in net position				(140,531)	(279,095)
Net position - beginning of year				2,604,818	2,902,260
Adjustment of escrow accounts				-	(18,347)
Net position - ending of year				<u>\$ 2,464,287</u>	<u>\$ 2,604,818</u>

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

**LODI TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2014
WITH COMPARATIVE TOTALS FOR MARCH 31, 2013**

	Governmental Fund Types	
	General Fund	
	2014	2013
ASSETS:		
Cash	\$ 187,472	\$ 153,169
Cash-cemetery	36,984	32,314
Investments	1,719,583	1,834,193
Investments-cemetery	58,916	58,627
Taxes receivable	17,475	23,328
Accrued interest receivable	3,845	3,209
Due from tax collection fund	12,027	12,223
	<u>\$ 2,036,302</u>	<u>\$ 2,117,063</u>
Deferred Outflows of Resources		
Special assessment receivable - Waters Road	47,288	54,237
	<u>47,288</u>	<u>54,237</u>
Total assets and deferred outflows	<u>\$ 2,083,590</u>	<u>\$ 2,171,300</u>
LIABILITIES:		
Accounts payable	\$ 7,530	\$ 11,170
	<u>7,530</u>	<u>11,170</u>
Total Liabilities	<u>\$ 7,530</u>	<u>\$ 11,170</u>
Deferred Inflows of Resources		
Special assessment outstanding - Waters Road	47,288	54,237
Escrow and Deposit accounts	20,189	21,164
	<u>67,477</u>	<u>75,401</u>
Total Deferred Inflows of Resources	<u>67,477</u>	<u>75,401</u>
FUND BALANCES:		
Restricted for Cemetery	\$ 95,900	\$ 90,941
Unassigned	1,912,683	1,993,788
	<u>2,008,583</u>	<u>2,084,729</u>
Total fund balances	<u>2,008,583</u>	<u>2,084,729</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,083,590</u>	<u>\$ 2,171,300</u>
Total governmental fund balances	\$ 2,008,583	\$ 2,084,729
Amount reported for governmental activities in the statement of net position 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 are	418,108	418,108
The accumulated depreciation is	(226,921)	(212,882)
Investment in joint venture is not a current financial asset and is not reported in the fund	264,517	314,863
	<u>264,517</u>	<u>314,863</u>
Total net position of governmental activities	<u>\$ 2,464,287</u>	<u>\$ 2,604,818</u>

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

LODI TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2013

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	
	<u>2014</u>	<u>2013</u>
REVENUES:		
Property taxes	\$ 347,748	\$ 349,861
Franchise taxes	59,393	54,112
Licenses and permits	20,365	16,123
Intergovernmental	455,439	446,789
Charges for services	17,544	15,993
Sale of cemetery lots	5,400	6,500
Special assessments	262,837	297,324
Interest earnings	16,019	27,388
175th Anniversary	-	450
Miscellaneous	1,462	1,901
Total revenues	<u>1,186,207</u>	<u>1,216,441</u>
EXPENDITURES:		
Current:		
General government	283,022	307,894
Public safety	790,503	752,122
Highways and streets	162,137	315,008
Sanitation	26,691	25,168
Capital outlay	-	6,716
Total expenditures	<u>1,262,353</u>	<u>1,406,908</u>
Excess (deficiency) of revenues over (under) expenditures	(76,146)	(190,467)
Fund balances - beginning of year	2,084,729	2,293,543
Prior year escrow adjustment	-	(18,347)
Fund balances - end of year	<u>\$ 2,008,583</u>	<u>\$ 2,084,729</u>
Net change in fund balances total governmental funds	\$ (76,146)	\$ (190,467)
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	(14,039)	(14,865)
Capital outlay net of dispositions	-	6,716
The change in investment in joint venture is not shown in the governmental fund	(50,346)	(80,479)
Change in net position of governmental activities	<u>\$ (140,531)</u>	<u>\$ (279,095)</u>

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

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

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$ 346,000	\$ 346,000	\$ 347,748	\$ 1,748
Franchise taxes	50,000	56,251	59,393	3,142
Licenses and permits:				
Liquor license	2,400	2,400	2,621	221
District court fees	8,000	8,000	5,754	(2,246)
Variance fees	500	500	500	-
Site plan review	2,000	4,000	7,000	3,000
Special use permits	500	500	-	(500)
Rezoning fees	2,000	2,000	-	(2,000)
Site plan inspections	4,000	4,000	3,850	(150)
Land split application fees	200	200	640	440
Total licenses and permits	19,600	21,600	20,365	(1,235)
Intergovernmental	445,000	445,000	455,439	10,439
Charges for services:				
House numbering	800	800	825	25
Trailer fees-township share	1,300	1,418	1,419	1
Collection fees	13,000	13,000	13,259	259
Fire protection revenues	1,250	2,050	2,041	(9)
Total charges for services	16,350	17,268	17,544	276
Sale of cemetery lots	-	-	5,400	5,400
Special assessments:				
General special assessment - lighting	4,850	4,850	5,085	235
General special assessment - Waters Road	6,100	6,100	6,949	849
Fire special assessment	245,000	245,000	250,803	5,803
Total special assessments	255,950	255,950	262,837	6,887
Interest earnings	19,100	19,100	16,019	(3,081)
Cemetery donation	-	-	-	-
Miscellaneous	1,200	1,200	1,462	262
Total revenues	<u>1,153,200</u>	<u>1,162,369</u>	<u>1,186,207</u>	<u>23,838</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:				
Current:				
General Government:				
Trustees	\$ 6,650	\$ 6,650	\$ 4,890	\$ 1,760
Supervisor	32,000	32,000	30,570	1,430
Clerk/deputy clerk	40,350	40,350	38,840	1,510
Treasurer/deputy treasurer	32,300	32,300	31,793	507
Assessor	51,200	50,000	50,675	(675)
Computer software and support	10,000	10,000	5,505	4,495
Township hall	10,800	12,892	11,803	1,089
Elections	2,350	2,442	251	2,191
Boards of Review, Appeals and Planning Commission	2,150	2,153	1,810	343
Site plan/zoning inspections	33,400	31,498	27,552	3,946
Legal/professional fees	25,400	27,900	27,893	7
Postage, printing and supplies	12,750	13,072	13,071	1
Public notices	1,000	1,000	838	162
Insurance	13,000	14,037	14,037	-
State/local dues	5,500	5,500	5,397	103
Payroll taxes	12,200	12,200	10,025	2,175
Miscellaneous	1,100	1,119	119	1,000
Cemetery care	6,800	7,157	7,743	(586)
Education	500	500	210	290
Land preservation	3,000	3,000	-	3,000
Total general government	<u>302,450</u>	<u>305,770</u>	<u>283,022</u>	<u>22,748</u>
Public safety:				
Police protection	480,000	485,965	487,255	(1,290)
Fire protection	301,200	303,274	297,698	5,576
Street lights	4,800	5,552	5,550	2
Total public safety	<u>786,000</u>	<u>794,791</u>	<u>790,503</u>	<u>4,288</u>
Highways and streets:				
Public Works	36,450	167,259	162,137	5,122
Total highways and streets:	<u>36,450</u>	<u>167,259</u>	<u>162,137</u>	<u>5,122</u>
Sanitation	28,000	28,000	26,691	1,309
Capital outlay	3,000	-	-	-
Total expenditures	<u>1,155,900</u>	<u>1,295,820</u>	<u>1,262,353</u>	<u>33,467</u>
Excess (deficiency) of revenues over (under) expenditures	(2,700)	(133,451)	(76,146)	57,305
Fund balances - beginning of year			<u>2,084,729</u>	
Fund balances - end of year			<u>\$ 2,008,583</u>	

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

**LODI TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
MARCH 31, 2014**

		<u>Tax Collection</u>	
		<u>Agency Fund</u>	
		<u>2014</u>	<u>2013</u>
ASSETS:			
Cash and cash equivalents		\$ 30,350	\$ 56,155
Total assets		<u>\$ 30,350</u>	<u>\$ 56,155</u>
LIABILITIES:			
Due to general fund		\$ 12,027	\$ 12,223
Due to other taxing units		<u>18,323</u>	<u>43,932</u>
Total liabilities		<u>\$ 30,350</u>	<u>\$ 56,155</u>

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

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lodi 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

The Township of Lodi is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Lodi Township as a primary government. There are no component units to the Township.

Lodi Township is contractually involved in a governmental joint venture with the Saline Area Fire Department. (See Note 6). The Saline Area Fire Department is a separate reporting entity. (The most current audit available is for the year ended June 30, 2013). Lodi Township only includes its share of investment and costs in these financial statements.

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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 types:

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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund balance.

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.

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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Lodi Township totaled \$366,218,124, on which ad valorem taxes levied for Township purposes were \$351,373. The millage rate was .9595. A special assessment of \$247,883 was levied for fire protection, which is based on the 2013 adjusted taxable value of real property only, which totaled \$354,124,213. The special assessment millage rate was .7000.

4. Prepaid items

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

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 a cost of at least \$500. 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	50
Furniture and equipment	20
Office equipment	10
Land improvements	20

**LODI 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

Fund balance classifications 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.

Unassigned fund balance 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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fund balance

At March 31, 2014, there is a restriction of fund balance for cemetery activities of \$95,901.

A schedule of cemetery activity follows:

	<u>2014</u>	<u>2013</u>
Beginning reservation of fund balance	\$ 90,941	\$ 85,186
Add:		
Cemetery lot sales	5,400	6,500
Interest earnings	376	343
Less:		
Cemetery maintenance	<u>(816)</u>	<u>(1,088)</u>
Ending reservation of fund balance	<u><u>\$ 95,901</u></u>	<u><u>\$ 90,941</u></u>

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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Lodi Township did not incur expenditures in the General Fund in excess of amount appropriated. Four line items in the General Fund incurred expenditures which were in excess of the amounts budgeted, as follows:

<u>General Fund</u>	<u>Budgeted Amount</u>	<u>Actual</u>	<u>Variance</u>
General government:			
Assessor	\$ 50,000	\$ 50,675	\$ (675)
Cemetery care	7,157	7,743	(586)
Police protection	485,965	487,255	(1,290)

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

At year end, the carrying value of the Township's deposits was \$254,806 and the bank balance was \$409,510. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Township or by its agent in the Township's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Township's name. 3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Township's name.)

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
General fund	\$ 333,459	\$ -	\$ -	\$ 333,459
Tax collection fund	76,051	-	-	76,051

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Township increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

Bank balances shown in Category 1 are insured by Federal Depository Insurance.

All deposits are with banks located in Michigan as required by statutes.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

The Township's investments are classified in the following three categories of credit risk: (1) Insured or registered, or securities held by the Township or its agent in the Township's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name. 3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name. The Township had investments with carrying value and bank balance of \$1,778,499 at year end. Of this amount, \$1,774,824 is insured (category 1), and \$4,215 is uninsured (category 3).

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amounts</u>
Certificates of deposit:			
Michigan Commerce Bank	0.5	11/4/14	\$ 100,000
Michigan Commerce Bank	0.4	1/7/15	58,916
Bank of Ann Arbor	0.5	5/23/14	201,213
Huntington	0.35	9/4/14	100,515
United Bank & Trust	0.1	8/3/14	106,325
United Bank & Trust	0.25	8/10/14	125,568
Flagstar Bank	0.35	6/30/14	100,000
Flagstar Bank	0.40	6/9/14	151,678
Mercantile Bank	0.75	4/4/14	204,491
Ann Arbor State Bank	0.50	4/27/14	151,812
Money market accounts:			
Flagstar Bank			1,745
Huntington			150,227
Fifth Third			249,994
Chase			76,015
			<u>\$ 1,778,499</u>

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The Township limits its exposure to interest rate risk by limiting the term of investments (certificates of deposit) to one year or less, as noted above.

The Township limits credit risk by having investments in a number of banks. However, there is still a portion that is uninsured.

The custodial credit risk of investments is limited. However, the percentage of Township investments held in each separate bank ranges from 19% to 5%.

The Township has no written policy on interest rate risk, credit risk or custodial risk on investments.

NOTE 4. RECEIVABLES

Receivables as of year end for the Township's major fund, including the applicable allowances for doubtful accounts, are as follows:

	General Fund	
	2014	2013
Receivables:		
Taxes	\$ 17,476	\$ 23,328
Special assessment	47,288	54,237
Accrued interest	3,845	3,209
Net total receivables	<u>\$ 68,609</u>	<u>\$ 80,774</u>

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 5. CAPITAL ASSETS

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

	Balance April 1, 2013	Acquisitions	Dispositions	Balance March 31, 2014
Governmental activities:				
Assets not being depreciated - land	\$ 35,090	\$ -	\$ -	\$ 35,090
Capital assets being depreciated:				
Buildings and improvements	258,816	-	-	258,816
Furniture and equipment	102,162	-	-	102,162
Land improvements	22,040	-	-	22,040
Depreciable capital assets	383,018	-	-	383,018
Less: accumulated depreciation for:				
Buildings and improvements	126,589	6,382	-	132,971
Furniture and equipment	80,416	6,555	-	86,971
Land improvements	5,877	1,102	-	6,979
Total accumulated depreciation	212,882	14,039	-	226,921
Net depreciable capital assets	170,136	(14,039)	-	156,097
Governmental activities net capital assets	\$ 205,226	\$ (14,039)	\$ -	\$ 191,187

Depreciation expense charged to functions is as follows:

Governmental activities:	
General government	\$ 14,039
Total depreciation expense-governmental activities	\$ 14,039

NOTE 6. JOINT VENTURE – SALINE AREA FIRE DEPARTMENT

The Township is a participant with the City of Saline and the Townships of Saline and York in the operations of the Saline Area Fire Department (the 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.

**LODI TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE 6. JOINT VENTURE – SALINE AREA FIRE DEPARTMENT

Under the terms of the agreement, the Township pays a percentage of the cost of capital outlay and operating expenditures for the Fire Department. This percentage, which is currently 32.14%, 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 Fire Department 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 annual installments commencing one year after the date of withdrawal, plus interest at the rate of 6% per annum on the unpaid balance.

Condensed financial information related to the SAFD as of June 30, 2014 and 2013, is as follows:

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Statement of Net Position:		
Total assets	<u>\$ 1,529,885</u>	<u>\$ 1,562,278</u>
Total liabilities	\$ 706,870	\$ 558,889
Net position	<u>823,015</u>	<u>1,003,389</u>
Total liabilities and net position	<u>\$ 1,529,885</u>	<u>\$ 1,562,278</u>
Statement of Activities:		
Revenues	\$ 899,710	\$ 799,224
Expenses	<u>1,080,084</u>	<u>1,035,929</u>
Net change in net position	(180,374)	(236,705)
Beginning net position	<u>1,003,389</u>	<u>1,240,094</u>
Ending net position	<u>\$ 823,015</u>	<u>\$ 1,003,389</u>

NOTE 7. SUBSEQUENT EVENTS

There had been no subsequent event since March 31, 2014 to June 23, 2014, which would have had a material effect on the Township's financial condition.

June 23, 2014

Board of Trustees
Lodi 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 Lodi 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.

LODI 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.