

SILVER CREEK TOWNSHIP
CASS COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2014

SILVER CREEK TOWNSHIP
Cass County, Michigan
March 31, 2014

TOWNSHIP BOARD

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Barbara Runyon	Clerk
Maureen Kuriata	Treasurer
Joel H. Moore	Trustee
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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Silver Creek Township, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Silver Creek Township, Michigan as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Silver Creek Township, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Change in Accounting Principle

As described in Note 10 to the financial statements, the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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



Schaffer & Layher, PLLC
August 7, 2014

Using this Annual Report

This report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of Silver Creek Township (the "Township") as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net position increased 2.3% from a year ago—increasing from \$9,877,816 to \$10,092,278. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities net position increased \$239,804 during the year, while the business-type activities net position decreased \$25,342.

Overview of the Financial Statements

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded**Government-Wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position is the difference between the Township's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, planning and zoning, and recreation and culture.
- Business-type activities—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e., building inspector, capital projects) or to show that it is properly using certain taxes and grants (i.e., public safety).

Fund Financial Statements, Concluded

The Township has the following three kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the differences between them.
- *Proprietary Funds*—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net position was \$10,092,278 as of March 31, 2014. In a condensed format the following table below shows a breakdown of net position:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current assets	\$1,724,078	\$1,762,150	\$ 585,603	\$ 779,483	\$ 2,309,681	\$ 2,541,633
Capital assets	888,407	584,093	1,394,049	1,444,069	2,282,456	2,028,162
Other noncurrent assets	128,408	121,176	7,396,737	7,506,046	7,525,145	7,627,222
Total assets	\$2,740,893	\$2,467,419	\$ 9,376,389	\$ 9,729,598	\$ 12,117,282	\$12,197,017
Current liabilities	\$ 109,851	\$ 76,181	\$ 329,493	\$ 340,635	\$ 439,344	\$ 416,816
Noncurrent liabilities	-	-	1,585,660	1,902,385	1,585,660	1,902,385
Total liabilities	\$ 109,851	\$ 76,181	\$ 1,915,153	\$ 2,243,020	\$ 2,025,004	\$ 2,319,201
Net Position						
Net investment in capital assets	\$ 888,407	\$ 584,093	\$ 1,394,049	\$ 1,444,069	\$ 2,282,456	\$ 2,028,162
Restricted	359,905	385,262	1,478,850	1,764,234	1,838,755	2,149,496
Unrestricted	1,382,730	1,421,883	4,588,337	4,278,275	5,971,067	5,700,158
Total net position	\$2,631,042	\$2,391,238	\$ 7,461,236	\$ 7,486,578	\$ 10,092,278	\$ 9,877,816

The Township's combined net position increased 2.2% from a year ago—increasing from \$9,877,816 to \$10,092,278.

As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net position increased approximately 10% from \$2,391,238 to \$2,631,042. This is primarily due to the Township's receipt of a capital grant from the Michigan DNR for \$217,824 which was used for capital projects at Rossum Park. This is also reflected in the \$304,314 increase in capital assets within governmental activities.

Business-type activities net position decreased less than 1.0% from \$7,486,578 to \$7,461,236. Current assets for business-type activities decreased by \$193,880 primarily due to the conversion of certain certificates of deposit from less than one year original maturity to greater than one year original maturity. Non-current liabilities decreased \$316,725 due to the continued scheduled bond principal payments.

Financial Analysis of the Township as a Whole, Concluded

The following table shows the changes in net position for 2014 and 2013:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for services	\$ 131,943	\$ 136,054	\$ 192,475	\$ 156,865	\$ 324,418	\$ 292,919
Operating grants and contributions	2,921	2,427	-	-	2,921	2,427
Capital grants and contributions	217,824	-	-	-	217,824	-
General Revenues						
Property taxes	370,177	361,607	-	-	370,177	361,607
Special assessments	133,379	125,582	-	-	133,379	125,582
State-shared revenues	239,225	234,893	-	-	239,225	234,893
Rents	4,800	4,800	-	-	4,800	4,800
Interest income	4,468	8,219	80,311	94,949	84,779	103,168
Loss from joint venture	-	-	(35,607)	(19,479)	(35,607)	(19,479)
Miscellaneous	32,601	34,493	-	-	32,601	34,493
Total Revenues	<u>\$1,137,338</u>	<u>\$ 908,075</u>	<u>\$ 237,179</u>	<u>\$ 232,335</u>	<u>\$ 1,374,517</u>	<u>\$ 1,140,410</u>
Program Expenses						
General Government	\$ 285,164	\$ 307,120	\$ -	\$ -	\$ 285,164	\$ 307,120
Public Safety	255,064	251,051	-	-	255,064	251,051
Recreation and Culture	14,871	2,158	-	-	14,871	2,158
Public Works	330,033	315,769	-	-	330,033	315,769
Planning and zoning	12,402	14,564	-	-	12,402	14,564
Sewer	-	-	262,521	268,902	262,521	268,902
Total Expenses	<u>\$ 897,534</u>	<u>\$ 890,662</u>	<u>\$ 262,521</u>	<u>\$ 268,902</u>	<u>\$ 1,160,055</u>	<u>\$ 1,159,564</u>
Change in Net Position	\$ 239,804	\$ 17,413	\$ (25,342)	\$ (36,567)	\$ 214,462	\$ (19,154)
Beginning Net Position	<u>2,391,238</u>	<u>2,373,825</u>	<u>7,486,578</u>	<u>7,523,145</u>	<u>9,877,816</u>	<u>9,896,970</u>
Ending Net Position	<u><u>\$2,631,042</u></u>	<u><u>\$2,391,238</u></u>	<u><u>\$ 7,461,236</u></u>	<u><u>\$ 7,486,578</u></u>	<u><u>\$10,092,278</u></u>	<u><u>\$ 9,877,816</u></u>

Governmental Activities

The Township's total governmental revenues increased \$229,263 from prior-year primarily due to the receipt of a Michigan DNR grant for \$217,824 related to capital projects at Rossum Park.

The Township's total governmental expenses remained relatively consistent with prior year, increasing only \$6,872, or less than 1%.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewage disposal and treatment services to the Township residents. Charges for services for the Sewer Fund increased by \$35,610 due to a large amount of new tap fees received in 2014 totaling \$35,000. Total business-type expenses decreased by \$6,381, primarily due to the decrease in interest expense of \$10,417, due to the continued pay-down of outstanding debt.

The Township's Funds

Our analysis of the Township's major funds begins following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as tax revenue generated for public safety services. The Township's major funds for 2014 include the General Fund, Parks and Recreation Fund, Public Safety Fund, and Sewer Fund.

Capital Asset and Debt Administration

October 21, 2009, the County of Van Buren (the "County"), Michigan issued \$4,905,000 of Limited Tax General Obligation Refunding Bonds to refund all of the Limited Tax General Obligation Bonds issued by the County for construction of the Sister Lakes Utilities Authority (the "Authority") sewer system dated May 1, 2001, maturing May 1, 2011 through May 1, 2020, and to pay costs of issuance incurred with respect to the Refunding Bonds. The aggregate principal amount of the prior bonds refunded was \$6,250,000 and was refunded through the proceeds of the Refunding Bonds and approximately \$1.8 million of the Authority's restricted cash on-hand that was restricted for the use of repayment of conduit debt. The Township has pledged its full faith and credit for repayment of 59.41 percent of this debt.

The Township continued making payments on general obligation bonds incurred to construct a sanitary sewer system.

The Township had significant capital asset additions in the current year related to costs associated with the continuation of the Rossum Park development project that began in fiscal 2013. There were \$297,910 of total capital asset additions (construction in progress), related to this project in 2014. This project is expected to be completed during fiscal 2015. The Township also acquired a new police vehicle during 2014 at a cost of \$33,562.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenues to exceed expenditures in the governmental activities in the next fiscal year.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,680,350	\$ 303,846	\$ 1,984,196
Receivables:			
Property taxes	34,347	-	34,347
Special assessments, current	-	251,850	251,850
Other	-	29,907	29,907
Prepaid expenses	9,381	-	9,381
Certificates of deposit (maturity >1 year)	128,408	341,931	470,339
Special assessments, less current portion	-	1,227,000	1,227,000
Investment in joint venture	-	5,827,806	5,827,806
Capital assets, net	888,407	1,394,049	2,282,456
Total assets	<u>\$ 2,740,893</u>	<u>\$ 9,376,389</u>	<u>\$ 12,117,282</u>
Liabilities			
Accounts payable	\$ 100,885	\$ 12,768	\$ 113,653
Accrued wages and taxes	8,966	-	8,966
Noncurrent liabilities			
Due within one year	-	316,725	316,725
Due in more than one year	-	1,585,660	1,585,660
Total liabilities	<u>\$ 109,851</u>	<u>\$ 1,915,153</u>	<u>\$ 2,025,004</u>
Net Position			
Net investment in capital assets	\$ 888,407	\$ 1,394,049	\$ 2,282,456
Restricted for joint venture debt repayment	-	1,478,850	1,478,850
Restricted for building code enforcement	4,048	-	4,048
Restricted for public safety	132,052	-	132,052
Restricted for weed control districts	223,805	-	223,805
Unrestricted	1,382,730	4,588,337	5,971,067
Total net position	<u>\$ 2,631,042</u>	<u>\$ 7,461,236</u>	<u>\$ 10,092,278</u>

The notes to the financial statements are an integral part of these statements

SILVER CREEK TOWNSHIP
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
<i>Governmental Activities</i>							
General government	\$ 285,164	\$ 62,580	\$ -	\$ -	\$ (222,584)	\$ -	\$ (222,584)
Public safety	255,064	64,528	2,921	-	(187,615)	-	(187,615)
Recreation and culture	14,871	-	-	217,824	202,953	-	202,953
Public works	330,033	-	-	-	(330,033)	-	(330,033)
Planning and zoning	12,402	4,835	-	-	(7,567)	-	(7,567)
Total governmental activities	<u>\$ 897,534</u>	<u>\$ 131,943</u>	<u>\$ 2,921</u>	<u>\$ 217,824</u>	<u>\$ (544,846)</u>	<u>\$ -</u>	<u>\$ (544,846)</u>
<i>Business-type Activities</i>							
Sewer	\$ 262,521	\$ 192,475	\$ -	\$ -	\$ -	\$ (70,046)	\$ (70,046)
Total primary government	<u>\$ 1,160,055</u>	<u>\$ 324,418</u>	<u>\$ 2,921</u>	<u>\$ 217,824</u>	<u>\$ (544,846)</u>	<u>\$ (70,046)</u>	<u>\$ (614,892)</u>
General Revenues:							
Property taxes					\$ 370,177	\$ -	\$ 370,177
Special assessments for weed control districts					133,379	-	133,379
State-shared revenues					239,225	-	239,225
Rents					4,800	-	4,800
Interest income					4,468	80,311	84,779
Loss from joint venture					-	(35,607)	(35,607)
Miscellaneous					32,601	-	32,601
Total general revenues					<u>\$ 784,650</u>	<u>\$ 44,704</u>	<u>\$ 829,354</u>
Change in net position					<u>\$ 239,804</u>	<u>\$ (25,342)</u>	<u>\$ 214,462</u>
Net position-beginning					2,391,238	7,486,578	9,877,816
Net position-ending					<u>\$ 2,631,042</u>	<u>\$ 7,461,236</u>	<u>\$ 10,092,278</u>

The notes to the financial statements are an integral part of these statements

GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2014

	General Fund	Parks and Recreation Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 787,766	\$ 353,518	\$ 194,709	\$ 344,357	\$ 1,680,350
Receivables, net	12,757	-	13,778	7,812	34,347
Due from other governmental funds	4,188	-	-	-	4,188
Prepaid expenses	9,381	-	-	-	9,381
Certificates of deposit (maturity >1 year)	128,408	-	-	-	128,408
Total assets	<u>\$ 942,500</u>	<u>\$ 353,518</u>	<u>\$ 208,487</u>	<u>\$ 352,169</u>	<u>\$ 1,856,674</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 29,088	\$ 71,797	\$ -	\$ 100,885
Accrued wages and taxes	4,328	-	4,638	-	8,966
Due to other governmental funds	-	-	-	4,188	4,188
Total liabilities	<u>\$ 4,328</u>	<u>\$ 29,088</u>	<u>\$ 76,435</u>	<u>\$ 4,188</u>	<u>\$ 114,039</u>
Fund Balances					
Non-spendable - prepaid items	\$ 9,381	\$ -	\$ -	\$ -	\$ 9,381
Committed for capital projects	-	324,430	-	120,128	444,558
Restricted:					
Public safety	-	-	132,052	-	132,052
Building code enforcement	-	-	-	4,048	4,048
Weed control districts	-	-	-	223,805	223,805
Unassigned	928,791	-	-	-	928,791
Total fund balances	<u>\$ 938,172</u>	<u>\$ 324,430</u>	<u>\$ 132,052</u>	<u>\$ 347,981</u>	<u>\$ 1,742,635</u>
Total liabilities and fund balances	<u>\$ 942,500</u>	<u>\$ 353,518</u>	<u>\$ 208,487</u>	<u>\$ 352,169</u>	

Amounts reported for governmental activities in the
 * Capital assets used in governmental activities
 reported in the funds

888,407

Net position of governmental activities

\$ 2,631,042

The notes to the financial statements are an integral part of these statements

SILVER CREEK TOWNSHIP

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2014**

	General Fund	Parks and Recreation Fund	Public Safety Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 160,135	\$ -	\$ 210,042	\$ -	\$ 370,177
Tax administration fees	62,580	-	-	-	62,580
Special assessments	-	-	-	133,379	133,379
State grants	239,225	217,824	2,921	-	459,970
Permits	4,835	-	-	64,528	69,363
Interest	3,071	822	146	429	4,468
Rental income	4,800	-	-	-	4,800
Other revenues	31,462	-	130	1,009	32,601
Total Revenues	<u>\$ 506,108</u>	<u>\$ 218,646</u>	<u>\$ 213,239</u>	<u>\$ 199,345</u>	<u>\$ 1,137,338</u>
Expenditures					
Current:					
General government	\$ 250,619	\$ -	\$ -	\$ 7,387	\$ 258,006
Public safety	-	-	221,712	66,914	288,626
Recreation and culture	-	312,781	-	-	312,781
Public works	180,966	-	-	149,067	330,033
Planning and zoning	12,402	-	-	-	12,402
Total Expenditures	<u>\$ 443,987</u>	<u>\$ 312,781</u>	<u>\$ 221,712</u>	<u>\$ 223,368</u>	<u>\$ 1,201,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 62,121</u>	<u>\$ (94,135)</u>	<u>\$ (8,473)</u>	<u>\$ (24,023)</u>	<u>\$ (64,510)</u>
Other Financing Sources(Uses)					
Operating transfers in	\$ -	\$ 30,000	\$ 70,129	\$ 42,553	\$ 142,682
Operating transfers out	(72,553)	-	-	(70,129)	(142,682)
Total other financing sources (uses)	<u>\$ (72,553)</u>	<u>\$ 30,000</u>	<u>\$ 70,129</u>	<u>\$ (27,576)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (10,432)</u>	<u>\$ (64,135)</u>	<u>\$ 61,656</u>	<u>\$ (51,599)</u>	<u>\$ (64,510)</u>
Fund Balances, beginning of year	<u>948,604</u>	<u>388,565</u>	<u>70,396</u>	<u>399,580</u>	
Fund Balances, end of year	<u><u>\$ 938,172</u></u>	<u><u>\$ 324,430</u></u>	<u><u>\$ 132,052</u></u>	<u><u>\$ 347,981</u></u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation;

Depreciation expense	(30,651)
Capital outlay	<u>334,965</u>
Change in net position of governmental activities	<u><u>\$ 239,804</u></u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUND STATEMENT OF NET POSITION
March 31, 2014

	<u>Sewer Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 303,846
Receivables, net	29,907
Special assessments receivable, current portion	251,850
Total current assets	<u>\$ 585,603</u>
Noncurrent assets	
Certificates of deposit (maturity >1 year)	\$ 341,931
Special assessments receivable, less current portion	1,227,000
Investment in joint venture	5,827,806
Capital assets, net	1,394,049
Total noncurrent assets	<u>\$ 8,790,786</u>
Total assets	<u>\$ 9,376,389</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 12,768
Total current liabilities	
Noncurrent liabilities	
Due within one year	316,725
Due in more than one year	1,585,660
Total liabilities	<u>\$ 1,915,153</u>
Net Position	
Net investment in capital assets	\$ 1,394,049
Restricted for joint venture debt repayment	1,478,850
Unrestricted	4,588,337
Total net position	<u>\$ 7,461,236</u>

The notes to the financial statements are an integral part of these statements

SILVER CREEK TOWNSHIP**PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended March 31, 2014**

	<u>Sewer Fund</u>
Operating Revenues	
Charges for services	\$ 155,224
Tap fees	35,000
Other revenue	2,251
Total operating revenues	<u>\$ 192,475</u>
Operating Expenses	
Billing and monitoring services	\$ 33,893
Sewage disposal services	41,449
Utilities	4,743
Contractor services	7,501
Repairs and maintenance	15,721
Other expenses	13,996
Depreciation	81,820
Total operating expenses	<u>\$ 199,123</u>
Operating loss	<u>\$ (6,648)</u>
Nonoperating Revenues (Expenses)	
Interest income	\$ 80,311
Interest expense	(63,398)
Investment in joint venture	(35,607)
Total nonoperating revenues (expenses)	<u>\$ (18,694)</u>
Change in net position	<u>\$ (25,342)</u>
Net position, beginning of year	7,486,578
Net position, end of year	<u><u>\$ 7,461,236</u></u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUND STATEMENT OF CASH FLOWS
Year Ended March 31, 2014

	Sewer Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 198,362
Payments to suppliers	(119,220)
Net cash provided by operating activities	<u>\$ 79,142</u>
Cash Flow From Capital and Related Financing	
Purchase of capital assets	<u>\$ (31,799)</u>
Cash Flow From Investing Activities	
Interest	\$ 2,963
Net changes in certificates of deposit	(1,296)
Net cash provided by investing activities	<u>\$ 1,667</u>
Net increase in cash and cash equivalents	\$ 49,010
Cash and cash equivalents-beginning	254,836
Cash and cash equivalents-ending	<u><u>\$ 303,846</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	\$ (6,648)
Adjustment to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	81,820
Change in assets and liabilities	
Receivables, net	5,887
Accounts payable	(1,917)
Net cash provided by operating activities	<u><u>\$ 79,142</u></u>

The notes to the financial statements are an integral part of these statements

**FIDUCIARY FUND STATEMENT OF NET POSITION
March 31, 2014**

	<u>Agency Fund</u>
	<u>Property Tax</u>
	<u>Collection Fund</u>
Assets	
Cash	<u>\$ 12,321</u>
Liabilities	
Due to other governmental units	<u>\$ 12,321</u>

The notes to the financial statements are an integral part of these statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Silver Creek Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. See the following criteria and descriptions for the component units reported:

Blended Component Units — A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2014.

Discretely Presented Component Units — The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2014.

Jointly Governed Organization — The Township is a participant, with Keeler Township, in the Sister Lakes Area Utilities Authority, a joint venture. See note 9.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

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 revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns 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, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued**

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 28 of the succeeding year. The Township's 2013 ad valorem tax is levied and collectible on December 1, 2013 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 taxable valuation of the Township totaled \$210.5 million, on which ad valorem taxes levied which consisted of .6963 mills for the Township's operating purposes and 1.0000 mills for public safety services. These amounts are recognized in the respective General and Special Revenue Funds' financial statements as taxes receivable or as tax revenue.

The Township reports the following major funds:

Governmental Funds:

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

The **Parks and Recreation Fund** is a capital projects fund used to account for funding accumulated for future parks and recreation projects planned by the Township.

The **Public Safety Fund** is used to account for the tax revenues and expenditures related to the Township's fire and police services.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued****Proprietary funds:**

The **Sewer Fund** is used to account for the activities related to the Township's sanitary collection system and waste water treatment.

Additionally, the Township reports the following non-major governmental funds:

The **Fire and Ambulance Fund** is used to account for the tax revenues and expenditures related to the Township's fire and ambulance services.

The **Building Department Fund** is used to account for the collection of inspection fees related to construction in the Township and the expenses associated with building and electrical inspections.

The **Public Improvement Fund** is used to account for major improvements to the Township's property and buildings.

The **Dewey Lake Weed Control Fund, Indian Lake Weed Control Fund, and the Magician Lake Weed Control Fund** are used to account for weed control activities on Dewey, Indian, and Magician Lakes. These activities are funded by special assessments to the related property owners.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st, at which time penalties and interest are assessed.

Prepaid Expenses—Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., sewer system, roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Position or Equity, Continued**

The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest that was capitalized.

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

Buildings	40 years
Equipment	5 to 10 years
Vehicles	5 to 15 years
Sewer System	40 years

Deferred Outflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Inflows of Resources—In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, and Net Position or Equity, Continued

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

Fund Equity— The Township has adopted the provisions of GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are definitions for the five fund balance classifications:

Non-spendable fund balance - 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. As of March 31, 2014, the following fund balances were classified as non-spendable: \$9,381 for prepaid items.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of March 31, 2014, the following fund balances have been restricted: \$132,052 for public safety, \$4,048 for building code enforcement, and \$223,805 for weed control districts.

Committed fund balance- includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. As of March 31, 2014, \$444,558 was committed for capital projects.

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. As of March 31, 2014, there are no assigned fund balances.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of March 31, 2014, \$928,791 of the governmental fund balance was classified as unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Position or Equity, Concluded**

Net position—Net position represents the difference between the assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws. Restricted net position is reduced by the liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

Fund Equity Flow Assumption—Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

New Position Flow Assumption—Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were multiple amendments to the General Fund budget throughout the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

For the year ended March 31, 2014, the Township did not adopt a budget for the Fire and Ambulance Fund.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public works	\$ 105,224	\$ 180,966	\$ (75,742)
Operating transfers out	45,551	72,553	(27,002)
Public Safety Fund			
Public safety	\$ 205,300	\$ 221,712	\$ (16,412)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2014, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government
Cash and cash equivalents			
Deposits	\$ 1,680,250	\$ 303,846	\$ 1,984,096
Petty cash and undeposited cash	100	-	100
Total	<u>\$ 1,680,350</u>	<u>\$ 303,846</u>	<u>\$ 1,984,196</u>
 Certificates of deposit (maturity >1 year)	 <u>\$ 128,408</u>	 <u>\$ 341,931</u>	 <u>\$ 470,339</u>

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The bank balance of the primary government's deposits and certificates of deposit is \$2,471,161 of which \$1,103,131 is not covered by federal depositary insurance.

Investments. Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

Interest Rate Risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time if/when the Township has investments that are subject to this type of risk.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk. In accordance with its investment policy, the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized if/when the Township has investments that are subject to the type of risk.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Custodial Credit Risk – Investments. In accordance with its investment policy, the Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments of collateral securities that are in possession of an outside party if/when the Township has investments that are subject to this type of risk.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Public Safety Fund	Sewer Fund	Non-major Funds	Total
Receivables:					
Taxes	\$ 12,757	\$ 13,778	\$ -	\$ 7,812	\$ 34,347
Trade	-	-	29,907	-	29,907
Less allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$ 12,757</u>	<u>\$ 13,778</u>	<u>\$ 29,907</u>	<u>\$ 7,812</u>	<u>\$ 64,254</u>

Payables as of year-end for the Township's individual major funds and non-major funds in the aggregate are as follows:

	Parks and Recreation Fund	Public Safety Fund	Sewer Fund	Total
Payables:				
Trade	<u>\$ 29,088</u>	<u>\$ 71,797</u>	<u>\$ 12,768</u>	<u>\$ 113,653</u>

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 144,000	\$ -	\$ -	\$ 144,000
Construction in progress	31,136	297,910	-	329,046
Subtotal	<u>\$ 175,136</u>	<u>\$ 297,910</u>	<u>\$ -</u>	<u>\$ 473,046</u>
Capital assets being depreciated:				
Buildings	\$ 442,577	\$ -	\$ -	\$ 442,577
Office equipment	82,618	3,493	-	86,111
Police equipment	6,140	-	-	6,140
Vehicles	40,370	33,562	-	73,932
Subtotal	<u>\$ 571,705</u>	<u>\$ 37,055</u>	<u>\$ -</u>	<u>\$ 608,760</u>
Less: Accumulated depreciation	<u>\$ (162,748)</u>	<u>\$ (30,651)</u>	<u>\$ -</u>	<u>\$ (193,399)</u>
Net capital assets being depreciated	<u>\$ 408,957</u>	<u>\$ 6,404</u>	<u>\$ -</u>	<u>\$ 415,361</u>
Governmental Activities total				
capital assets-net of depreciation	<u><u>\$ 584,093</u></u>	<u><u>\$ 304,314</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 888,407</u></u>

Depreciation was charged to programs for the governmental activities as follows:

General government \$ 30,651

	Beginning Balance	Additions	Reductions	Ending Balance
<i>Business-Type Activities</i>				
Capital assets being depreciated:				
Infrastructure	\$ 2,515,494	\$ -	\$ -	\$ 2,515,494
Equipment	371,144	31,799	-	402,943
Subtotal	<u>\$ 2,886,638</u>	<u>\$ 31,799</u>	<u>\$ -</u>	<u>\$ 2,918,437</u>
Less: Accumulated depreciation	<u>\$(1,442,569)</u>	<u>\$ (81,819)</u>	<u>\$ -</u>	<u>\$(1,524,388)</u>
Business-Type Activities total				
capital assets-net of depreciation	<u><u>\$ 1,444,069</u></u>	<u><u>\$ (50,020)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,394,049</u></u>

Depreciation was charged to programs for the business-type activities as follows:

Sewer Fund \$ 81,819

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

<u>Receivable Fund</u>	<u>Payable Fund</u>		
General	Building Department	\$	4,188

The General Fund interfund receivables are for employee wages and related taxes paid by the General Fund on behalf of the Building Department Fund and will be reimbursed in the following fiscal year.

	<u>Transfers In</u>			
	<u>Parks and Recreation Fund</u>	<u>Public Improvement Fund</u>	<u>Public Safety Fund</u>	<u>Total</u>
Transfers out				
General Fund	\$ 30,000	\$ 42,553	\$ -	\$ 72,553
Fire and Ambulance Fund	-	-	70,129	70,129

The General Fund made a Board approved transfer to the Parks and Recreation Fund and Public Improvement Fund to fund capital projects planned by the Township. The Fire and Ambulance Fund transferred its remaining fund balance to the Public Safety Fund to be used to fund future fire contract costs.

NOTE 7. LONG-TERM DEBT

Long-term debt activity can be summarized as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>					
Sister Lakes Area Utilities Authority, Refunding Bonds, dated October 21, 2009, with annual principal payments of \$415,000 to \$565,000, maturing in 2020, with semi-annual interest payments at rates ranging from 2.0% to 3.6%	\$ 2,228,335	\$ -	\$ (325,950)	\$ 1,902,385	\$ 316,725
Total Business-type Activities	\$ 2,228,335	\$ -	\$ (325,950)	\$ 1,902,385	\$ 316,725

NOTE 7. LONG-TERM DEBT, CONCLUDED

The Sister Lakes Area Utilities Authority bonds represent financing of sewer improvements by the Sister Lakes Area Utilities Authority (the “Authority”) that benefit specific districts (*see* Note 9); these districts are specially assessed, at least in part, by the Township for the cost of the improvements. At March 31, 2014, there is \$1,478,850 of special assessments receivable to cover the Township’s portion of the debt.

Annual debt service requirements to maturity for the above debt are as follows:

	Business-type Activities		
	Principal	Interest	Total
2015	\$ 316,725	\$ 58,150	\$ 374,875
2016	307,500	49,579	357,079
2017	298,275	40,492	338,767
2018	285,975	31,728	317,703
2019	276,750	22,941	299,691
2020-2021	417,160	18,410	435,570
	<u>\$ 1,902,385</u>	<u>\$ 221,300</u>	<u>\$ 2,123,685</u>

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9. JOINT VENTURE

The Township is a participant with Keeler Township in a joint venture to acquire, own, improve, enlarge, extend, and operate a sewage disposal system for the residents of these communities. The Sister Lakes Area Utilities Authority (the “Authority”) was created for that purpose. Upon dissolution of the Authority, the net position will be split, with approximately 60 percent to Silver Creek Township and 40 percent to Keeler Township.

NOTE 9. JOINT VENTURE, CONCLUDED

The Authority is governed by a board of five members consisting of two members each from Keeler Township and Silver Creek Township and the city manager of the City of Dowagiac (the provider of the service).

October 21, 2009, the County of Van Buren (the "County"), Michigan issued \$4,905,000 of Limited Tax General Obligation Refunding Bonds to refund all of the Limited Tax General Obligation Bonds issued by the County dated May 1, 2001, maturing May 1, 2011 through May 1, 2020, and to pay costs of issuance incurred with respect to the Refunding Bonds. The aggregate principal amount of the prior bonds refunded was \$6,250,000 and was refunded through the proceeds of the Refunding Bonds and approximately \$1.8 million of the Authority's restricted cash on-hand that was restricted for the use of repayment of conduit debt. The Township has pledged its full faith and credit for repayment of 59.41 percent of this debt.

On May 1, 2001, the County of Van Buren, Michigan issued \$11,625,000 of Limited Tax General Obligation Bonds for the design, acquisition, and construction of collection and interceptor sewers, pumping facilities, the purchase of treatment capacity and other related costs to allow the Authority to operate.

Complete financial statements for the Authority can be obtained at the Silver Creek and Keeler Township Halls.

NOTE 10. ADOPTION OF NEW ACCOUNTING PRINCIPLES

Effective April 1, 2013, the Township adopted the provisions of the accounting pronouncement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this standard did not result in restatement or reclassification of opening net position or fund balances.

REQUIRED SUPPLEMENTARY INFORMATION

SILVER CREEK TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
Year Ended March 31, 2014**

	Original Budget	Final Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of Year	\$ 948,604	\$ 948,604	\$ 948,604	
Resources(Inflows)				
Property taxes	\$ 156,174	\$ 156,174	\$ 160,135	\$ 3,961
Tax administration fees	76,600	76,600	62,580	(14,020)
State grants	242,958	242,958	239,225	(3,733)
Permits	4,000	4,000	4,835	835
Interest	3,200	3,200	3,071	(129)
Rental income	5,000	5,000	4,800	(200)
Other revenues	21,600	21,600	31,462	9,862
Amounts Available for Appropriation	<u>\$ 1,458,136</u>	<u>\$ 1,458,136</u>	<u>\$ 1,454,712</u>	
Charges to Appropriations(Outflows)				
General government	\$ 353,049	\$ 336,459	\$ 250,619	\$ 85,840
Public works	105,500	105,224	180,966	(75,742)
Planning and zoning	17,800	19,115	12,402	6,713
Operating transfers out	30,000	45,551	72,553	(27,002)
Total Charges to Appropriations	<u>\$ 506,349</u>	<u>\$ 506,349</u>	<u>\$ 516,540</u>	
Fund Balance - End of Year	<u>\$ 951,787</u>	<u>\$ 951,787</u>	<u>\$ 938,172</u>	

SILVER CREEK TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-PUBLIC SAFETY FUND
Year Ended March 31, 2014**

	Original and Final Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of Year	<u>\$ 70,396</u>	<u>\$ 70,396</u>	
Resources(Inflows)			
Property taxes	\$ 205,000	\$ 210,042	5,042
State grants	2,400	2,921	521
Interest	100	146	46
Other revenues	50	130	80
Operating transfers in	-	70,129	70,129
Amounts Available for Appropriation	<u>\$ 277,946</u>	<u>\$ 353,764</u>	
Charges to Appropriations(Outflows)			
Public safety	<u>\$ 205,300</u>	<u>\$ 221,712</u>	(16,412)
Fund Balance - End of Year	<u><u>\$ 72,646</u></u>	<u><u>\$ 132,052</u></u>	

OTHER SUPPLEMENTARY INFORMATION

SILVER CREEK TOWNSHIP**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2014**

	Building Department Fund	Fire and Ambulance Fund	Public Improvement Fund	Dewey Lake Weed Control Fund	Indian Lake Weed Control Fund	Magician Lake Weed Control Fund	Total
Assets							
Cash and cash equivalents	\$ 8,191	\$ -	\$ 120,128	\$ 30,843	\$ 92,446	\$ 92,749	\$ 344,357
Receivables	45	-	-	2,148	2,869	2,750	7,812
Total assets	<u>\$ 8,236</u>	<u>\$ -</u>	<u>\$ 120,128</u>	<u>\$ 32,991</u>	<u>\$ 95,315</u>	<u>\$ 95,499</u>	<u>\$ 352,169</u>
Liabilities and Fund Balances							
Liabilities							
Due to other governmental funds	\$ 4,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,188
Total liabilities	<u>\$ 4,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,188</u>
Fund Balances							
Committed for capital projects	\$ -	\$ -	\$ 120,128	\$ -	\$ -	\$ -	\$ 120,128
Restricted:							
Building code enforcement	4,048	-	-	-	-	-	4,048
Fire and ambulance	-	-	-	-	-	-	-
Weed control districts	-	-	-	32,991	95,315	95,499	223,805
Total fund balances	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 120,128</u>	<u>\$ 32,991</u>	<u>\$ 95,315</u>	<u>\$ 95,499</u>	<u>\$ 347,981</u>
Total liabilities and fund balances	<u>\$ 8,236</u>	<u>\$ -</u>	<u>\$ 120,128</u>	<u>\$ 32,991</u>	<u>\$ 95,315</u>	<u>\$ 95,499</u>	<u>\$ 352,169</u>

SILVER CREEK TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2014**

	Building Department Fund	Fire and Ambulance Fund	Public Improvement Fund	Dewey Lake Weed Control Fund	Indian Lake Weed Control Fund	Magician Lake Weed Control Fund	Total
Revenues							
Special assessments	\$ -	\$ -	\$ -	\$ 26,180	\$ 85,624	\$ 21,575	\$ 133,379
Permits	64,528	-	-	-	-	-	64,528
Interest	100	-	248	-	-	81	429
Other revenues	784	-	-	45	180	-	1,009
Total revenues	<u>\$ 65,412</u>	<u>\$ -</u>	<u>\$ 248</u>	<u>\$ 26,225</u>	<u>\$ 85,804</u>	<u>\$ 21,656</u>	<u>\$ 199,345</u>
Expenditures							
Current:							
General government	\$ -	\$ -	\$ 7,387	\$ -	\$ -	\$ -	\$ 7,387
Public safety	66,914	-	-	-	-	-	66,914
Public works	-	-	-	28,051	103,144	17,872	149,067
Total expenditures	<u>\$ 66,914</u>	<u>\$ -</u>	<u>\$ 7,387</u>	<u>\$ 28,051</u>	<u>\$ 103,144</u>	<u>\$ 17,872</u>	<u>\$ 223,368</u>
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	<u>\$ (1,502)</u>	<u>\$ -</u>	<u>\$ (7,139)</u>	<u>\$ (1,826)</u>	<u>\$ (17,340)</u>	<u>\$ 3,784</u>	<u>\$ (24,023)</u>
Other Financing Sources (Uses)							
Operating transfers in	\$ -	\$ -	\$ 42,553	\$ -	\$ -	\$ -	\$ 42,553
Operating transfers out	-	(70,129)	-	-	-	-	(70,129)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (70,129)</u>	<u>\$ 42,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,576)</u>
Net Change in Fund Balances	<u>(1,502)</u>	<u>(70,129)</u>	<u>35,414</u>	<u>(1,826)</u>	<u>(17,340)</u>	<u>3,784</u>	<u>(51,599)</u>
Fund Balances, beginning of year	<u>5,550</u>	<u>70,129</u>	<u>84,714</u>	<u>34,817</u>	<u>112,655</u>	<u>91,715</u>	<u>399,580</u>
Fund Balances, end of year	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ 120,128</u>	<u>\$ 32,991</u>	<u>\$ 95,315</u>	<u>\$ 95,499</u>	<u>\$ 347,981</u>



To the Township Board and Management
of Silver Creek Township, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Silver Creek Township, Michigan as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Silver Creek Township, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Silver Creek Township, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in Silver Creek Township, Michigan's internal control to be a material weakness:

Material Audit Adjustments

Certain material adjustments were identified by Schaffer & Layher during the course of the audit. These included the adjustments of property tax receivables, the investment in the Sister Lakes Area Utilities Authority joint venture, special assessments receivable balances, depreciation expense, and bond payable balances.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Silver Creek Township, Michigan's internal control to be significant deficiencies:

Segregation of Duties

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Account Reconciliations

A reconciliation of special assessments receivable from the general ledger to the special assessments receivable detail ledger should be prepared to check that the recording of transactions is accurate, applied properly, and that any adjustments to receivable amounts have been approved.

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

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan

August 20, 2013