

**EASTON TOWNSHIP**

**Ionia County, Michigan**

**Financial Statements**

**And**

**Independent Auditor's Report**

**For the Year ended March 31, 2014**

**EASTON TOWNSHIP**

**720 N Bellamy Road, Ionia, MI 48846**

**PHONE: 616-527-2849**

**POPULATION: 3,082**

**TOWNSHIP BOARD:**

Supervisor..... Joseph McCord

Clerk..... Betty Rowley

Treasurer..... Tracie Dinehart

Trustee..... Dexter Arnold

Trustee..... Don Rittersdorf

**EASTON TOWNSHIP**  
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**INDEPENDENT AUDITOR'S REPORT**

September 18, 2014

The Township Board  
Easton Township  
Ionia County, 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 Easton Township, Ionia County, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of 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, business-type activities, each major fund, and the aggregate remaining fund information of Easton Township, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 11 and budgetary comparison information on pages 34 - 37 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, on our consideration of the Easton Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easton Township's internal control over financial reporting and compliance.

Larry Tiejema, CPA

Lawrence Tiejema, PC

September 18, 2014

## Management Discussion and Analysis

The Township improved township hall lighting, extended several contracts with its key vendors, and made a contribution for the new pumper of the Saranac Fire Department during the year ended March 31, 2014.

### Financial Highlights

1. General Fund revenues exceeded expenses by \$197,842 during the year ended March 31, 2014. This raised net assets from \$1,743,149 to \$1,940,991, which is 5.87 times total expenses for the year.
2. Revenue sharing, which is the largest income of the township, increased by \$40,306 as the amount increased from \$377,648 to \$417,954. As part of the PA 425 agreement with the City of Ionia, the township receives city revenue sharing as well as state revenue sharing. During the past year, city revenue sharing increased \$35,333 while state revenue sharing went up \$4,973.
3. The cost of fire protection increased as the Township made a contribution of \$8,808 to the Saranac Fire Department as its share of the department's purchase of a new mini pumper, which cost approximately \$230,570.
4. The Township extended its agreements with many of the providers of township services. The assessor's contract was extended two years, the sexton's contract was extended three years, and the township signed a new three-year agreement with Life EMS Ambulance to cover the next three years. In addition, the Township signed a new five-year agreement with the County of Ionia to pay for the half-time service of a county sheriff's deputy.
5. The Township replaced the ceiling tile in the township and added new lighting for a combined cost of \$4,322.
6. The Township engaged Mulder & Associates to survey the new section of the township cemetery that had been developed during the last three years. The agreement called for a fee of \$3,000.
7. Interest earnings continued to fall as interest rates on certificates of deposit and other deposit accounts continue to drop. During the year ended March 31, 2014, the township's investments earned \$12,752 compared to \$14,093 for the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements 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 the Township's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and culture, and cemetery. The business-type activity of the Township is the Sewer Fund. The government-wide financial statements may be found on pages 12 and 13.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, 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 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*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Proprietary funds.** The township maintains one type of proprietary fund, also known as an enterprise fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Easton Township has one fiduciary fund, the tax agency fund. The basic fiduciary fund statements for the tax agency fund can be found on page 22 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 statements. The notes to the financial statements can be found on pages 23 - 32 of this report.

**Easton Township -- Statement of Net Position**  
**For the Years ended March 31, 2014, and March 31, 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Year ended</u>		<u>Year ended</u>		
	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2014</u>
Current and other assets	\$ 1,767,160	\$ 1,568,513	\$ 431,114	\$ 421,176	\$ 2,198,274
Capital assets	197,035	197,567	185,750	193,703	382,785
Total assets	1,964,195	1,766,080	616,864	614,879	2,581,059
Long-term liabilities outstanding	-	-	-	-	-
Other liabilities	23,204	22,931	58,267	59,648	81,471
Total liabilities	23,204	22,931	58,267	59,648	81,471
Net Position					
Invested in capital assets, net of related debt	197,035	197,567	185,750	193,703	382,785
Restricted			372,847	361,528	372,847
Unrestricted	1,743,956	1,545,582		-	1,743,956
<b>Total net position</b>	<b>1,940,991</b>	<b>1,743,149</b>	<b>\$ 558,597</b>	<b>\$ 555,231</b>	<b>\$ 2,499,588</b>

The township has one governmental activity, the General Fund, and one business-type activity, the Sewer Fund. The net assets of the General Fund increased by \$197,842 while the net assets of the Sewer Fund rose by \$3,366 during the year ended March 31, 2014.

General Fund assets increased by \$198,115 as 'current and other assets' went up by \$198,647 and capital assets declined by \$532. 'Current and other assets' consist of bank deposit accounts, receivables from the Tax Agency Fund and from other governments, and prepaid expenses. During the past year, deposits went up by \$250,390, receivables from the tax fund and other governments went down \$56,157, and prepaid expenses increased \$4,412. During the 2013-14 year, the township did not make any large expenditures similar to the amount paid in the prior year to enlarge the Easton cemetery. Prepaid expenses are payments in advance for such expenses as insurance premiums and memberships. The township paid the 2014-2015 fire support agreement in advance, and this represents \$4,435 of the total prepaid expenses of \$6,344. Capital assets consist of buildings, equipment, and computer software with an original cost of \$1,000 and a useful life of more than one year. These assets are depreciated or expensed over their useful lifetimes. During the 2013-14 year, capital assets declined as depreciation expense exceeded the cost of new capital purchases by \$532.

General Fund liabilities, which increased by \$273, are made up of accounts payable, amounts owing to other funds, and payroll liabilities. Accounts payable consist of supplies and services that are received before the end of the fiscal year that are paid in the next fiscal year. Accounts payable decreased by \$5,297 because the township had no large invoices coming in at the end of the year. However, the general fund has a \$5,577 obligation to the Tax Agency Fund, which paid the township's drain assessment.

The assets of the Sewer Fund increased by \$1,985 while liabilities dropped by \$1,381. The assets consist of bank deposit accounts, a portion of the sewer system purchased by the township, and the receivable for hook-up charges owed by Easton Township residents who are connected to the Ionia City sewer system. During the past year, deposit accounts increased by \$19,327 while hook-up charges receivable dropped \$9,389 as residents continue to pay down their assessments. Sewer Fund liabilities are accounts payable and deferred revenue. Deferred revenue is future revenue that will be received by the township when residents pay off their hook-up charges. The accounts payable of Sewer Fund is \$7,878 that is owing to other funds including \$2,900 to the General Fund for sewer administration fees for the 2013-14 year.



## Easton Township – Changes in Net Position

**For the Years ended March 31, 2014, and March 31, 2013**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Year ended</u>		<u>Year ended</u>		
	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2014</u>	<u>3/31/2013</u>	<u>3/31/2014</u>
Revenue:					
Program revenue:					
Charges for services	\$ 21,450	\$ 27,732			\$ 21,450
General revenue:					
Property taxes	75,254	119,572	-	-	75,254
Revenue sharing	417,954	377,648	-	-	417,954
Investment earnings	12,752	14,093	5,605	6,389	18,357
Other	1,112	677	9,389	9,147	10,501
Total revenue	528,522	539,722	14,994	15,536	543,516
Expenses:					
General government	135,061	149,423			135,061
Township board	7,517	7,289			7,517
Public safety	66,493	56,542			66,493
Public works	64,035	70,201			64,035
Community support	22,043	43,838			22,043
Cemetery	35,531	36,315			35,531
Sewer			11,628	18,268	11,628
Total expenses	330,680	363,608	11,628	18,268	342,308
Increase (decrease) in net assets	197,842	176,114	3,366	(2,732)	201,208
Net position - beginning of year	1,743,149	1,567,035	555,231	557,963	2,298,380
Net position - end of year	<u>\$ 1,940,991</u>	<u>\$ 1,743,149</u>	<u>\$ 558,597</u>	<u>\$ 555,231</u>	<u>\$ 2,499,588</u>

General Fund income rose from \$176,144 to \$197,842 while the Sewer Fund's deficit of \$2,732 increased \$6,098 to net income of \$3,336 during the year ended March 31, 2014. For the general fund, revenues increased from revenue sharing and 'other income' while the revenues from property tax, interest earnings, and 'charges for services' dropped. The revenue sharing increase of \$40,306 came mostly from the city revenue sharing that comes to the township through a PA 425 agreement with the City of Ionia. Revenue sharing is based on a township's population and the level of state sales tax collections. The 'other income' category increased by \$435 as the township received a \$552 rebate from Consumers Energy for the installation of energy efficient lighting in the township hall. Revenues from 'charges for services' dropped by \$6,216 as cemetery sales and fees decreased \$3,800, reimbursements for elections fell \$2,342, and permit revenue went down \$650. The property tax revenue decline of \$44,318 was due mostly to a one-time transfer made from the Tax Agency Fund last year.

General Fund expenses, which decreased by \$32,928, were lower in all functions except for public safety, which increased by \$9,951. This increase was mostly due to the \$8,808 that the township contributed to the Saranac Fire Department as its share of the new mini-pumper that the fire department purchased for approximately \$230,570. For the other functions, general government expense dropped \$14,362, public works went down \$6,166, community support decreased \$21,795, and cemetery expenses dropped \$784.

General government expenses include township officers, elections, property assessing and board of review, pension costs, and professional fees. During the past year, professional services dropped \$3,724 as the township had less need for attorney services, election expenses went down \$7,734 as fewer elections were held, and the expenses of the clerk and treasurer decreased by \$5,851. The cost for Public Works, which consists of road and drain maintenance and street lighting, went down because drain maintenance costs fell by \$5,851. Drain maintenance expenses vary from year to year depending on the projects authorized by the drain commissioner's office of Ionia County. The decrease in community support expenses was not due to a major decrease in appropriations, but it reflects a special \$20,000 contribution made to the City of Ionia during the prior year to assist in the purchase of a new grass rig for the city fire department.

Revenues in the Sewer Fund went down by \$542, but expenses fell \$6,640 to enable the fund to realize net income of \$3,366. The main difference between the 2013-14 year and the prior year is that the Sewer Fund made a \$6,665 payment to the Ionia Sewer System for repairs to the sewer lines for the 2012-13 year. Sewer Fund revenues come from the payments made by residents on their hook-up charges and interest earnings on the fund's deposit accounts. Payments on hook-up charges have gone down as more residents have paid off their obligations. Sewer Fund expenses consist of an administrative charge of the general fund, audit services, and depreciation expense.

### **Easton Township – Schedule of Capital Assets**

#### **For the Years ended March 31, 2014, and March 31, 2013**

	<b>Governmental Activities</b>		<b>Business -type Activities</b>		<b>Total</b>
	<b>Year ended</b>		<b>Year ended</b>		
	<b>3/31/2014</b>	<b>3/31/2013</b>	<b>3/31/2014</b>	<b>3/31/2013</b>	<b>3/31/2014</b>
Land	\$ 22,563	\$ 22,563			\$ 22,563
Buildings and Improvements	168,069	165,761			168,069
Machinery and Equipment	6,403	9,243			6,403
Utility Systems			185,750	193,703	185,750
	<b>\$ 197,035</b>	<b>\$ 197,567</b>	<b>\$ 185,750</b>	<b>\$ 193,703</b>	<b>\$ 382,785</b>

During the year ended March 31, 2014, the township made some improvements to the township hall and had the new section of the cemetery surveyed. New high-efficiency lighting was installed in the township hall along with new ceiling tiles. The cost of the lighting fixtures and their installation was \$3,152 and the cost of the ceiling tile was \$1,170. The survey of the new section of the township cemetery was done by Mulder and Associates for \$3,000. This cost will be amortized over the next 15 years. As a result of these purchases of \$7,322 and the charging of depreciation expense of \$7,854, the capital assets decreased \$532 during the past year.

The main assets of the General Fund consist of buildings and improvements and machinery and equipment. Buildings and improvements consist of the township hall and its improvements and the roads in the cemetery. Machinery and equipment consist of furniture, computer equipment for the clerk and treasurer, and the voting machines received in 2006 from a federal grant.

The Sewer Fund assets consist of sewer lines built between 1976 and 2001 at an original cost of \$397,654. the sewer lines are being depreciated over a 50-year period. During the past year, depreciation expense of \$7,953 was charged that reduced the book value from \$193,703 to \$185,750.

## **Budgetary Highlights**

Over the course of the year, it was appropriate for the Township to amend its budget to allow for changes in revenues and expenses. During the year ended March 31, 2014, additional appropriations were made to the Ionia Dial-a-Ride activity of \$1,500 and to other community expenses of \$3,209 for the Community Support function of the budget. This budget amendment changed the total budget of Community Support from \$21,150 to \$25,859.

### **Easton Township: Review of past year, plans and considerations for the current year.**

Easton Township is a pleasant mix of farms, residential homes, smaller home-based businesses, and includes a portion of the west side of the city of Ionia. The township relies mainly on property tax revenues and state revenue sharing for funding the services and needs of its residents. While property tax revenues were down during the previous fiscal year, state revenue sharing increased by approximately the same amount.

The township maintains one cemetery, Easton Cemetery, and a small part of the Yeomans cemetery located within the City of Ionia. The Easton Cemetery's expansion is now complete with roads, driveway signs, and surveying completed. New water lines were put in, and the siding on the storage shed was replaced.

Major improvements were made to the township hall by installing new energy efficient interior and exterior lighting, ceiling fans, and having the wood floors refinished. The township board is hoping to have the handicapped assessable deck at the hall cleaned and stained in the near future.

Roads, bridges, culverts and drains are a continuing concern to the township as Ionia County is relying more and more on the local townships to fund repairs and maintenance to these structures as they age. Easton Township paid its share of the cost to repair the West Main Street bridge in Ionia, and Lincoln Avenue bridge repair due to past flooding. A large expense to the township this year was the Fog and Seal application to Potters Road, Bellamy Road and Dildine Road. These improvements have been very well received by the township residents. Public safety for the residents is important to the Easton Township board. In addition to road maintenance, the township provides ambulance coverage through an agreement with Life EMS. Fire protection is provided to the township through the Saranac Fire Department as well as the Ionia Fire Department. The township has an agreement with Ionia County to pay for the half-time services of a county sheriff's deputy. The township helped fund a fire safety program for children, contributes each year to the Bertha Brock Park, and supports the Ionia County Economic Alliance. Easton Township offers a once-a-year clean up day to its residents, for free trash and junk disposal.

Frugal budgeting and spending by the township board has allowed needed services to be offered to its residents, and has built up a healthy fund balance which should be more than adequate to meet any future unexpected needs.

Easton residents, and the entire community, were sorry to hear of the retirement of their long time supervisor, Joe McCord. Joe faithfully served the township as supervisor for 20 years. While Joe's shoes will be hard to fill, that task has been ably taken on by Bill Patton who has been appointed the new Easton Township supervisor.

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

	<b>Primary</b>	<b>Government</b>	
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	\$ 1,599,751	\$ 382,746	\$ 1,982,497
Receivables			
Due from other funds	60,253	-	60,253
Due from other governments	100,812	-	100,812
Prepaid expenses	6,344	-	6,344
<b>Total current assets</b>	<u>1,767,160</u>	<u>382,746</u>	<u>2,149,906</u>
<b>Non-current assets:</b>			
Capital charges receivable	-	48,368	48,368
Capital assets, net of accumulated depreciation	<u>197,035</u>	<u>185,750</u>	<u>382,785</u>
<b>Total non-current assets:</b>	<u>197,035</u>	<u>234,118</u>	<u>431,153</u>
<b>Total Assets</b>	<u>1,964,195</u>	<u>616,864</u>	<u>2,581,059</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	23,204	-	23,204
Due to other funds	-	7,878	7,878
Deferred revenue	-	9,048	9,048
<b>Total current liabilities:</b>	<u>23,204</u>	<u>16,926</u>	<u>40,130</u>
<b>Non-current liabilities:</b>			
Deferred revenue	<u>-</u>	<u>41,341</u>	<u>41,341</u>
<b>Total Liabilities</b>	<u>23,204</u>	<u>58,267</u>	<u>81,471</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	197,035	185,750	382,785
Restricted for:			
Sewer maintenance		372,847	372,847
Unrestricted	<u>1,743,956</u>	<u>-</u>	<u>1,743,956</u>
<b>Total net position</b>	<u>\$ 1,940,991</u>	<u>\$ 558,597</u>	<u>\$ 2,499,588</u>

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

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

Functions/ Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues
<b>Primary government</b>			
Governmental activities:			
General government	\$ 135,061	\$ 14,019	\$ (121,042)
Township board	7,517	-	(7,517)
Public safety	66,493	324	(66,169)
Public works	64,035	3,557	(60,478)
Recreation and culture	22,043	-	(22,043)
Cemetery	35,531	3,550	(31,981)
Total government activities	<u>330,680</u>	<u>21,450</u>	<u>(309,230)</u>
Business-type activity:			
Sewer	<u>11,628</u>	<u>-</u>	<u>(11,628)</u>
Total primary government	<u>\$ 342,308</u>	<u>\$ 21,450</u>	<u>\$ (320,858)</u>
Changes in net assets			
Net (expense) revenue	(309,230)	(11,628)	(320,858)
General revenues:			
Property taxes	75,254	-	75,254
Revenue sharing	417,954	-	417,954
Investment earnings	12,752	5,605	18,357
Other revenue	<u>1,112</u>	<u>9,389</u>	<u>10,501</u>
Total general revenues	<u>507,072</u>	<u>14,994</u>	<u>522,066</u>
Change in net assets	197,842	3,366	201,208
Net position, beginning of year	<u>1,743,149</u>	<u>555,231</u>	<u>2,298,380</u>
Net position, end of year	<u>\$ 1,940,991</u>	<u>\$ 558,597</u>	<u>\$ 2,499,588</u>

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

**EASTON TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS – GENERAL FUND**  
**MARCH 31, 2014**

---

<b>ASSETS</b>	<b>GENERAL FUND</b>
Cash and deposits	\$ 1,599,751
Receivables:	
Due from other governments	100,812
Due from other funds	<u>60,253</u>
Total receivables	161,065
<b>TOTAL ASSETS</b>	<b><u>1,760,816</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
LIABILITIES:	
Accounts payable	21,723
Payroll liabilities	<u>1,481</u>
<b>TOTAL LIABILITIES</b>	<b><u>23,204</u></b>
FUND BALANCE	
Unassigned	<u>1,737,612</u>
<b>TOTAL LIABILITIES AND FUND</b>	
<b>BALANCE</b>	<b><u>\$ 1,760,816</u></b>

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

**EASTON TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS – GENERAL FUND**  
**MARCH 31, 2014**

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RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF THE GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION:

<b>Fund balance – total governmental funds.....</b>	<b>\$ 1,737,612</b>
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add – land.....	22,563
Add – capital assets.....	253,060
Deduct – accumulated depreciation.....	(78,588)
Prepaid expenses are current expenses for governmental funds but are an asset in the statement of net position:	
	<u>6,344</u>
<b>Net position of governmental activities.....</b>	<b><u>\$ 1,940,991</u></b>

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

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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	<b>GENERAL FUND</b>
REVENUES:	
Property taxes	\$ 75,254
State revenue sharing	417,954
Charges for services	21,450
Interest	12,752
Other	<u>1,112</u>
 TOTAL REVENUES	 <u>528,522</u>
 EXPENDITURES:	
General government	135,362
Legislative	7,509
Public safety	70,848
Public works	64,035
Community support	22,043
Cemetery	<u>34,765</u>
 TOTAL EXPENDITURES	 334,562
 REVENUES OVER EXPENDITURES	 <u>193,960</u>
 NET CHANGE IN FUND BALANCES	 193,960
 FUND BALANCE, BEGINNING OF YEAR	 <u>1,543,652</u>
 FUND BALANCE, END OF YEAR	 <u><u>\$ 1,737,612</u></u>

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



**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES:

**Net Change in fund balances – government funds.....** \$ 193,960

Government funds expense capital outlays in the current year while  
the Statement of Net Position allocates them over useful life:

Add capital outlay..... 7,322

Deduct – depreciation expense..... (7,854)

Prepaid expenses are current expenses for governmental funds but are  
an asset in the statement of net position..... 4,414

**Change in net position of government activities.....** \$ 197,842

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

**EASTON TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**GENERAL FUND – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2014**

	BUDGETED AMOUNTS			VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Property taxes	\$ 65,900	\$ 65,900	\$ 75,254	\$ 9,354
Revenue sharing	300,000	300,000	417,954	117,954
Charges for services	18,200	18,200	21,450	3,250
Interest	4,500	4,500	12,752	8,252
Other	500	500	1,112	612
TOTAL REVENUES	389,100	389,100	528,522	139,422
EXPENDITURES				
General government	159,900	159,900	135,362	24,538
Legislative	9,400	9,400	7,509	1,891
Public safety	78,000	78,000	70,848	7,152
Public works	349,000	349,000	64,035	284,965
Community support	21,150	25,859	22,043	3,816
Cemetery	64,700	64,700	34,765	29,935
TOTAL EXPENDITURES	682,150	686,859	334,562	352,297
REVENUES OVER (UNDER)				
EXPENDITURES	(293,050)	(297,759)	193,960	491,719
NET CHANGE IN FUND BALANCES	(293,050)	(298,759)	193,960	491,719
FUND BALANCE, BEGINNING OF YEAR	1,543,652	1,543,652	1,543,652	-
FUND BALANCE, END OF YEAR	\$ 1,250,602	\$ 1,245,893	\$ 1,737,612	-

The accompanying notes are an integral part of the financial statements

**EASTON TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**SEWER ENTERPRISE FUND**  
**MARCH 31, 2014**

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**Assets**

**Current assets**

Cash and deposits	\$ 382,746
Total current assets	382,746

**Noncurrent assets**

Capital charges receivable	48,368
Property, plant, and equipment, net of accumulated depreciation	185,750
Total noncurrent assets	234,118

**Total Assets** 616,864

**Current liabilities**

Deferred revenue	9,048
Due to other funds	7,878
Total current liabilities	16,926

**Non-current Liabilities**

Deferred revenue	41,341
------------------	--------

**Total Liabilities** 58,267

**Net Position**

Invested in capital assets, net or related debt	185,750
Restricted for sewer maintenance	372,847
Unrestricted net assets	-
<b>Total net position</b>	<b>\$ 558,597</b>

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

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**Operating revenues**

Hook-up fees	\$ -
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<b>Total operating revenues</b>	<b>-</b>
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**Operating expenses**

Administration	2,900
Professional services	775
Sewer system repairs	-
Depreciation	<u>7,953</u>

<b>Total operating expenses</b>	<b><u>11,628</u></b>
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<b>Operating income</b>	<b><u>(11,628)</u></b>
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**Nonoperating revenue (expenses)**

Principal payments on capital charges	9,389
Interest from capital charges	2,806
Interest from investments	<u>2,799</u>

<b>Total non-operating revenues (expenses)</b>	<b><u>14,994</u></b>
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Change in net assets	3,366
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Net position, beginning of year	<u>555,231</u>
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<b>Net position, end of year</b>	<b><u>\$ 558,597</u></b>
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The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF CASH FLOWS – SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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<b>Cash from operating activities</b>	
Cash paid for professional services	\$ (775)
Cash paid for sewer system repairs	-
Cash paid for administrative services	-
	<hr/>
<b>Net cash provided by operating activities</b>	(775)
<b>Cash flows from capital and related financial activities</b>	
Payments from other funds	4,978
Payments to other funds	-
Interest received on capital charges	2,806
Principal payments on capital charges	9,519
	<hr/>
<b>Net cash (used in) capital and related financing activities</b>	17,303
<b>Cash flows from investing activities</b>	
Interest received on deposits and investments	2,799
	<hr/>
Net increase (decrease) in cash and cash equivalents	19,327
Cash and cash equivalents at the beginning of the year	363,419
<b>Cash and cash equivalents at the end of the year</b>	<hr/> <hr/> 382,746
<b>Reconciliation of net income to net cash provided:</b>	
Net income	3,366
Adjustments to reconcile net income to cash provided:	
Depreciation expense	7,953
Changes in assets and liabilities which provided (used) cash	
Accounts receivable	9,389
Accounts payable	7,878
Deferred revenue	(9,259)
	<hr/>
<b>Net cash provided by year ended March 31, 2014</b>	<hr/> <hr/> \$ 19,327

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

**EASTON TOWNSHIP**  
**FIDUCIARY FUND**  
**TAX AGENCY FUND FINANCIAL STATEMENTS**

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**STATEMENT OF NET POSITION**

**MARCH 31, 2014**

**Assets**

Cash in bank	\$ 46,798
Due from other funds	<u>10,555</u>
<b>Total Assets</b>	<b>57,353</b>

**Liabilities**

Due to other funds	<u>57,353</u>
<b>Total Liabilities</b>	<u>\$ 57,353</u>

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2014**

**Receipts**

Tax Collections	\$ 1,651,029
Interest income	<u>280</u>
Total cash receipts	<u>1,651,309</u>

**Disbursements**

Payments to the township	142,852
Payments to other governments	1,575,783
Administrative expenses	<u>10,933</u>
Total cash disbursements	<u>1,729,568</u>

<b>Total receipts over (under) disbursements</b>	<u><u>\$ (78,259)</u></u>
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Cash balance at the beginning of the year	<u>125,057</u>
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<b>Cash balance at the end of the year</b>	<u><u>\$ 46,798</u></u>
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The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Easton Township was organized on March 29, 1843, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, and general administrative services.

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

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report of all funds of Easton Township.

**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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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Property taxes are recognized as revenues in the year in 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 when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. 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. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges for services. Operating expenses for the enterprise fund include wages, supplies, utilities, charges for services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

**General Fund** – This 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 Township reports the following major proprietary fund:

**Sewer Fund** – This fund is used to account for the operations of the Township's sewer department that provides sewer services to township residents on a user charge basis.



**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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Additionally, the Township reports the following fund type:

**Tax Agency Fund** – This fund is used to account for property tax collections from Easton Township real and personal property owners and its disbursement to applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from the clerk, treasurer, supervisor, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their maintenance, are classified as restricted assets on the statement of net position because their use is limited by applicable agreements with the City of Ionia.

**Due To and Due From Other Funds**

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) except for roads constructed in the Easton Township Cemetery. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Land and historical artifacts are not subject to depreciation. Depreciation on the other capital assets of the primary government is computed using the straight-line method over the following useful lives:

	Depreciable <u>Life-Years</u>
Sanitary sewer systems.....	50
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Building and property improvements.....	15
Machinery and equipment.....	7 - 20

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year.

Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other governmental entities; summer taxes are collected for school districts and the County of Ionia.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes from real property. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**Deferred Revenue**

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. For the year ended March 31, 2014, Easton Township had deferred revenue in the Sewer Fund of \$50,389.

**Fund Equity**

In the fund statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. Commitments and assignments of fund balance are funds that the Township Board can set aside for specific purposes. Commitments are made through a township board resolution, and assignments are established by motion of the township board. The governmental funds of Easton Township have no restrictions, commitments, or assignments of their \$1,737,612 fund equity.

**Inter-fund Transactions**

During the course of normal operations, the Township has transactions between funds, including transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operations subsidies are also recorded as transfers.

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2014, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flower Insurance group. The insurance limitations are: Property, \$310,114; Liability, \$3,000,000; Wrongful acts, \$3,000,000; Automobile, \$3,000,000; electronic data and hardware, \$100,000. The township also carries insurance for crime and inland marine.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS**

The cash deposits and investments for the Township are as follows:

	Governmental Activities	Business-type Activities	Agency Fund	Total
Deposits:				
Cash and deposits	\$ 937,518	\$ 228,930	\$ 46,798	\$ 1,213,246
Investments	662,233	153,816	-	816,049
	<u>\$ 1,599,751</u>	<u>\$ 382,746</u>	<u>\$ 46,798</u>	<u>\$ 2,029,295</u>

The carrying amount of the Township's governmental funds and business-type fund deposits at March 31, 2014, was \$2,029,295. All of these deposits are insured by the Federal Deposit Insurance Corporation up to the \$250,000 limit for each bank. These deposits are in four (4) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

**Statutory Authority**

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

All deposit accounts of Easton Township are in Category 1, registered and insured to the FDIC limit of \$250,000 for each bank. The total federally insured amount of the accounts below is \$989,575.

Depository	Account	Amount @ March 31, 2014
General Fund:		
Firstbank West Michigan	Checking Account	\$ 697,936
Fifth Third Bank	Business Money Market	239,575
Portland Federal Credit Union	Savings Account	7
Portland Federal Credit Union	Certificate of Deposit	132,184
Portland Federal Credit Union	Certificate of Deposit	103,353
Portland Federal Credit Union	Certificate of Deposit	159,057
Michigan Community One CU	Certificate of Deposit	267,639
TOTAL GENERAL FUND		1,599,751
SEWER FUND		
Sewer Fund:		
Firstbank West Michigan	Checking Account	228,930
Portland Federal Credit Union	Certificate of Deposit	18,963
Portland Federal Credit Union	Certificate of Deposit	134,853
TOTAL SEWER FUND		382,746
TOTAL -- ALL GOVERNMENTAL & BUSINESS-TYPE FUNDS		\$ 1,982,497

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	Balance April 1, 2013	Additions	Disposals	Balance March 31, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 22,563	-	-	\$ 22,563
Historical artifacts	1,000	-	-	1,000
Capital assets, being depreciated				
Buildings	16,598	-	-	16,598
Building and grounds improvements	186,782	7,322	-	194,104
Machinery and equipment	41,358	-	-	41,358
	244,738	7,322		252,060
Less accumulated depreciation for:				
Buildings	15,500	129	-	15,629
Building and grounds improvement	22,119	4,885	-	27,004
Machinery and equipment	33,115	2,840	-	35,955
Total capital assets being depreciated, net	70,734	7,854	-	78,588
<b>Governmental activities capital assets, net</b>	197,567	-	-	197,035
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Sewer system	397,654	-	-	397,654
Less accumulated depreciation:				
Sewer system	203,951	7,953	-	211,904
<b>Business-type activities capital assets, net</b>	\$ 193,703			\$ 185,750

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

Year ended March 31, 2014

Governmental activities:	
General government.....	\$ 2,840
Cemetery.....	3,766
Townhall and grounds.....	1,248
Total depreciation expense – government activities.....	\$ 7,854
Business-type activities:	
Sewer.....	\$ 7,953

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**4. CONTRIBUTORY PENSION PLAN**

Easton Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and appointed individuals. The Township contributes 15% of the participant's compensation, and a participant may also make voluntary contributions. During the year ended March 31, 2014, the Township made a contribution of \$13,650 to the group pension plan.

**5. EASTON SEWER SYSTEM**

The original sewage disposal system was jointly owned by the Townships of Easton and Ionia and the City of Ionia. Bonds to construct the system were sold in 1976, 1990, 2001, 2004, and 2005. Until June 30, 1991, the City of Ionia, Easton Township, and Ionia Township made debt payments related to the cost of the sewer facilities and lines laid within their borders.

As of June 30, 1991, the allocation of debt payments was changed to reflect annual flow from each of the three entities with the heaviest users paying a larger portion of the debt payments.

Easton Township entered into an agreement with the City of Ionia that took effect on August 1, 2001. According to this agreement, the City of Ionia took over the operation of the portion of the sewer system within Easton Township. The City began billing Township customers directly based on the current rate structure. The City is now responsible for all operational costs of the system. In this agreement, Easton Township retained all rights and title to the sewer facilities installed in the township before August 1, 2001. The allocated value of these sewer lines is \$397,654 less accumulated depreciation of \$211,904, for a net book value of \$185,750 as of March 31, 2014.

On October 22, 2002, Easton Township chose to pay off its portion of the existing sewer debt based on its percentage of ownership at a cost of \$203,270. This payoff did include the balance on the capital charges owed by residents who had hooked up to the sewer system. When residents hooked up to the system, they had the option of paying the hook-up charges in advance or paying for them with quarterly payments. These payments represent principal and interest payments on the hook-up charge. The balance on these hook-up or capital charges is shown as a receivable to the township sewer fund and has a balance of \$48,368 as of March 31, 2014.

**6. LITIGATION**

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**7. DUE FROM (TO) OTHER FUNDS**

Amounts due from (to) others funds representing interfund receivable and payable balances at March 31, 2014, are detailed as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	5,577	60,253
Tax Agency Fund	57,353	10,555
Sewer Fund	7,878	-

As of March 31, 2014, the Tax Agency Fund has a liability to the General Fund of \$57,353, which represents the balance of the Tax Agency Fund that may be transferred to the General Fund. The Sewer Fund has a liability to the Tax Agency Fund and General Fund of \$7,878. The Sewer Fund owes the General Fund \$2,900 for administrative services during the 2013-2014 year. In addition, delinquent tax deposits of \$4,978 were placed in the Sewer Fund instead of being deposited in the Tax Agency Fund in order to be paid to the City of Ionia. The General Fund has a liability to the Tax Agency Fund because the Tax Agency Fund paid the General Fund's drain assessment of \$5,577 that was billed to the general fund by Ionia County Drain Commission office.



Required

Supplementary

Information

## **GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture, Cemetery and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**EASTON TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
PROPERTY TAXES				
Current property taxes	\$ 50,900	\$ 50,900	\$ 54,567	\$ 3,667
Tax administration fees	15,000	15,000	20,687	5,687
TOTAL PROPERTY TAXES	<u>65,900</u>	<u>65,900</u>	<u>75,254</u>	<u>9,354</u>
REVENUE SHARING				
State revenue sharing	300,000	300,000	231,399	(68,601)
City revenue sharing	-	-	186,555	186,555
	<u>300,000</u>	<u>300,000</u>	<u>417,954</u>	<u>117,954</u>
CHARGES FOR SERVICES				
Cemetery lot sales and fees	5,000	5,000	3,550	(1,450)
Rents and royalties	500	500	900	400
Telecom revenue share	3,000	3,000	3,557	557
Sewer fund administration	2,900	2,900	2,900	-
Cable franchise fees	6,000	6,000	9,969	3,969
Special elections	-	-	-	-
Special permits	300	300	250	(50)
TOTAL CHARGES FOR SERVICES	<u>17,700</u>	<u>17,700</u>	<u>21,126</u>	<u>3,426</u>
FINES AND FORFEITURES				
Ordinance violation fines	<u>500</u>	<u>500</u>	<u>324</u>	<u>(176)</u>
INVESTMENT EARNINGS				
Interest on deposits	<u>4,500</u>	<u>4,500</u>	<u>12,752</u>	<u>8,252</u>
OTHER REVENUE				
Miscellaneous revenue	<u>500</u>	<u>500</u>	<u>1,112</u>	<u>612</u>
TOTAL REVENUES	<u>\$ 389,100</u>	<u>\$ 389,100</u>	<u>\$ 528,522</u>	<u>\$ 139,422</u>

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Township board	\$ 9,400	\$ 9,400	\$ 7,509	1,891
<b>GENERAL GOVERNMENT</b>				
Supervisor	23,450	23,450	21,618	1,832
Elections	3,850	3,850	2,126	1,724
Assessor	24,800	24,800	20,229	4,571
Clerk	26,900	26,900	24,762	2,138
Board of review	2,500	2,500	1,732	768
Treasurer	35,300	35,300	31,614	3,686
Townhall	14,500	14,500	10,924	3,576
Insurance	2,000	2,000	3,831	(1,831)
Pension plan	15,000	15,000	13,650	1,350
Employment taxes	1,500	1,500	2,006	(506)
Accounting and legal	10,100	10,100	2,870	7,230
Total general government	<u>159,900</u>	<u>159,900</u>	<u>135,362</u>	<u>24,538</u>
<b>PUBLIC SAFETY</b>				
Township deputy	40,000	40,000	35,835	4,165
Fire department	18,000	18,000	17,495	505
Ambulance	<u>20,000</u>	<u>20,000</u>	<u>17,518</u>	<u>2,482</u>
Total public safety	<u>78,000</u>	<u>78,000</u>	<u>70,848</u>	<u>7,152</u>
<b>PUBLIC WORKS</b>				
Road work	325,000	325,000	48,515	276,485
Drains	12,000	12,000	5,577	6,423
Street lighting	<u>12,000</u>	<u>12,000</u>	<u>9,943</u>	<u>2,057</u>
Total public works	<u>349,000</u>	<u>349,000</u>	<u>64,035</u>	<u>284,965</u>

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
COMMUNITY SUPPORT				
Ionia County Economic Alliance	1,350	1,350	1,348	2
Bertha Brock Park donation	5,000	5,000	5,000	-
Spring clean-up	2,500	2,500	2,195	305
Dial-a-ride	12,000	13,500	13,500	-
Miscellaneous Expense	300	3,509	-	3,509
Capital contribution, City of Ionia	-	-	-	-
Total community support	<u>21,150</u>	<u>25,859</u>	<u>22,043</u>	<u>3,816</u>
CEMETERY				
Cemetery	<u>64,700</u>	<u>64,700</u>	<u>34,765</u>	<u>29,935</u>
TOTAL EXPENDITURES	682,150	686,859	334,562	352,297
REVENUE OVER (UNDER) EXPENDITURES	(293,550)	(298,259)	193,960	491,719
NET CHANGE IN FUND BALANCE	<u>(293,550)</u>	<u>(298,259)</u>	<u>193,960</u>	<u>491,719</u>
FUND BALANCE, BEGINNING OF YEAR	1,543,652	1,543,652	1,543,652	-
FUND BALANCE, END OF YEAR	<u>\$ 1,250,102</u>	<u>\$ 1,245,393</u>	<u>\$ 1,737,612</u>	<u>-</u>

**TAX AGENCY FUND**  
**STATEMENT OF RECEIPTS AND PAYMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

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**Receipts:**

Property taxes received	\$ 1,651,029
Interest income	<u>280</u>
	1,651,309

**Total receipts**

**Payments:**

Payments to other governments:

Ionias County	732,755
Ionias Public Schools	326,409
Belding Public Schools	17,535
Saranac Community Schools	113,043
Haynor School	15,246
North LeValley School	43,141
City of Ionias	3,287
Ionias County Intermediate School	<u>324,367</u>
Total payments to other governments	1,575,783

Payments to Easton Township	142,852
Administrative Expenses	<u>10,933</u>

**Total disbursements** **1,729,568**

**Receipts over (under) payments** **(78,259)**

Cash balance at the beginning of the year	<u>125,057</u>
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<b>Cash balance at the end of the year</b>	<b><u>\$ 46,798</u></b>
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**LAWRENCE TIEJEMA, PC**  
**Certified Public Accountant**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 18, 2014

The Township Board  
Easton Township  
Ionia County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information of the Township of Easton, State of Michigan, as of and for the year ended March 31, 2014, which collectively comprise Easton Township's basic financial statements and have issued a report thereon dated September 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Easton Township's control over financial reporting as basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easton Township's internal control over financial reporting

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did note two significant deficiencies that is described in the attached schedule as 2014-1 and 2014-2.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easton Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larry Tiejema, CPA

Lawrence Tiejema, PC.

September 18, 2014



## **SCHEDULE OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

### **EASTON TOWNSHIP -- YEAR ENDED MARCH 31, 2014**

- 2014-1:** Township accounting personnel do not prepare the accruing entries necessary for preparation of the government-wide statements. They rely on the auditor to make all of these adjustments.

Township response:

**A township official reviews and approves the changes made by the auditor. The Township Board is confident that the designated official has the knowledge and ability to evaluate the auditor's preparation of financial statements and notes to the financial statements in relation to township activities and transactions for the year ended March 31, 2014.**

- 2014-2:** The internal control of the township for receiving revenues from and making payments to other governments did not consistently operate to receipt revenues in the proper accounts and to pay obligations of other governments from the correct fund.

Township response:

**Revenues from other governments will be verified before making an entry to a specific revenue account of a township fund. Expenses paid to other governments will be paid by the fund that includes the applicable expense.**