

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY

LEROY, MICHIGAN

MARCH 31, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MARCH 31, 2012

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Fiduciary Fund	
Statement of Fiduciary Net Position	9
Notes to Financial Statements	10-21
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	22-24



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

May 15, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Rose Lake Township
Osceola County
Leroy, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rose Lake Township, Osceola County, Leroy, 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 misstatements 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 principles 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, each major fund, and the aggregate remaining fund information of Rose Lake Township, Osceola County, Leroy, Michigan as of March 31, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii through ix and 22-24 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

As management of Rose Lake Township ("the Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$811,401. Of this amount, \$233,073 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ❖ The Township's net position increased by \$84,897 during the fiscal year.
- ❖ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$422,964, an increase of \$96,088 in comparison with the prior year.
- ❖ The fund balance of the Township's General Fund increased by \$47,095 during the fiscal 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 consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support 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 financial information on all of the Township's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Township'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 for some items that will only result in cash flows in future periods.

Both of the government-wide financial 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 significant portion of their costs through user fees and charges

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2014

(*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community and economic development.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rose Lake 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 two categories: governmental 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Cemetery Fund, Rose Lake Improvement Fund, McCoy Lake Road Improvement Fund, South Hogback Lake Road Improvement Fund, North Hogback Lake Road Improvement Fund, Penasa Lake Improvement Fund, Marilyn Drive Improvement Fund, Gordon Drive Improvement Fund, and Road Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-8 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 Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

The fiduciary fund financial statement can be found on page 9 of this report.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 10-21 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Rose Lake Township, assets exceed liabilities by \$811,401, at the close of the most recent fiscal year.

Rose Lake Township
Net Position as of March 31, 2014

	Governmental Activities
Assets	
Current Assets	\$ 438,270
Non Current Assets	
Capital Assets	471,657
Less: Accumulated Depreciation	(83,220)
Total Non Current Assets	388,437
Total Assets	826,707
Liabilities	
Current Liabilities	15,306
Net Position	
Net Investment in Capital Assets	388,437
Restricted for Specific Purposes	189,891
Unrestricted	233,073
Total Net Position	\$ 811,401

A portion of the Township's net position (48%) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

An additional portion of the Township's net position (23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$233,073 is unrestricted, which may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Rose Lake Township's overall net position increased by \$84,897 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

**Rose Lake Township
Change in Net Position
for the Fiscal Year Ended March 31, 2014**

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 9,148
Operating Grants and Contributions	49,197
General Revenues	
Taxes and Special Assessments	196,024
State Grants	108,173
Interest Earnings	2,315
Other	3,308
Total Revenues	368,165
<u>Expenses</u>	
General Government	109,144
Public Safety	110,604
Public Works	18,557
Recreation and Culture	34,817
Other Functions	10,146
Total Expenses	283,268
Change in Net Position	84,897
<u>NET POSITION</u> - Beginning of Year	726,504
<u>NET POSITION</u> - End of Year	\$ 811,401

Governmental Activities The most significant portion of the revenue for all governmental activities of Rose Lake Township comes from property taxes and special assessments. The Township levied 0.8163 mills for operating purposes and 1.0000 mills for road improvement. The Township also levied numerous

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

special assessments for various purposes, including roads, fire protection and lake improvements. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by two functions. For the year ended March 31, 2014, the Township spent \$109,144 on general government expenses and \$110,604 on public safety expenses.

Financial Analysis of the Governmental Funds

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

Governmental Funds The focus of Rose Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At March 31, 2014, Rose Lake Township's governmental funds reported a combined fund balance of \$422,964, an increase of \$96,088 in comparison with the prior year. Approximately 55% of this amount (\$233,073) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$189,891), 4) committed for particular purposes, or 5) assigned for particular purposes.

General Fund – The General Fund increased its fund balance by \$47,095 which brings the fund balance to \$236,524. The majority of the General Fund's fund balance is unassigned. Taxes amounted to \$40,062. State grants were collected in the amount of \$108,173.

Fire Fund – The Fire Fund's fund balance decreased by \$40 which brings the fund balance to \$127. This balance is restricted and must be used for fire protection.

The Township levied a special assessment for 2013-2014. This resulted in \$106,874 of revenues during the current fiscal year.

Maple Hill Cemetery Fund – The Maple Hill Cemetery Fund increased its fund balance by \$1,282 which brings its fund balance to \$4,925. This balance is restricted for cemetery improvements and cemetery perpetual care.

Rose Lake Improvement Fund – The Rose Lake Improvement Fund decreased its fund balance by \$6,029 which brings the fund balance to \$49,829. This balance is restricted for lake improvement.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

McCoy Lake Road Improvement Fund – The McCoy Lake Road Improvement Fund decreased its fund balance by \$241 which brings the fund balance to \$2,598. This balance is restricted for road improvement.

South Hogback Lake Road Improvement Fund – The South Hogback Lake Road Improvement Fund increased its fund balance by \$2,512 which brings its fund balance to \$11,773. This balance is restricted for road improvement.

North Hogback Lake Road Improvement Fund – The North Hogback Lake Road Improvement Fund increased its fund balance by \$734 which brings the fund balance to \$2,521. This balance is restricted for road improvement.

Penasa Lake Improvement Fund – The Penasa Lake Improvement Fund increased its fund balance by \$734 which brings its fund balance to \$5,887. This balance is restricted for lake improvement.

Marilyn Drive Improvement Fund – The Marilyn Drive Improvement Fund increased its fund balance by \$201 which brings its fund balance to \$4,291. This balance is restricted for road improvement.

Road Fund – The Road Fund increased its fund balance by \$49,108 which brings its fund balance to \$103,757. This balance is restricted for road improvement.

Gordon Drive Improvement Fund – The Gordon Drive Improvement Fund increased its fund balance by \$732 which brings its fund balance to \$732. This balance is restricted for road improvement.

General Fund Budgetary Highlights

During the year, there was one change in appropriations between the original budget and final amended budget. Following are the budget amendments for the year:

- \$3,000 increase in Building and Grounds and \$1,000 increase in Cemetery in both cases to pay for higher than expected repairs and maintenance.
- \$4,000 decrease in Contingency expenditures.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 154,945	\$ 154,945	\$ 164,132
Total Expenditures	\$ 166,895	\$ 166,895	\$ 115,787

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

The main difference between budgeted and actual revenues is due to the Township receiving more state shared revenue than expected. Actual expenditures were lower than expected because the Township budgeted a large amount for contingencies, which was not needed.

Capital Assets

Capital Assets The Township's investment in capital assets for governmental activities as of March 31, 2014, amounted to \$388,437 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Rose Lake Township
Capital Assets as of March 31, 2014

	Governmental Activities
Land and Land Improvements	\$ 17,937
Building Improvements	44,285
Equipment	11,366
Public Domain Infrastructure	<u>398,069</u>
	471,657
Less: Accumulated Depreciation	<u>(83,220)</u>
Net Capital Assets	<u><u>\$ 388,437</u></u>

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan. State-shared revenues increased in the current year and are expected to be fairly stable for next year.

These factors were considered in preparing the Township's budgets for the 2014-2015 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Rose Lake Township at 4949 W. 16 Mile Road, LeRoy, Michigan 49655.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 383,327
Receivables:	
Taxes	9,556
Special Assessments	16,886
Due from Other Governments	22,721
External Parties (Fiduciary Fund)	<u>5,780</u>
Total Current Assets	<u>438,270</u>
<u>CAPITAL ASSETS</u>	
Land	7,632
Land Improvements	10,305
Building Improvements	44,285
Equipment	11,366
Public Domain Infrastructure	<u>398,069</u>
	471,657
Less Accumulated Depreciation	<u>83,220</u>
Net Capital Assets	<u>388,437</u>
TOTAL ASSETS	<u>826,707</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Other Governments	15,016
Payroll Liabilities	<u>290</u>
Total Current Liabilities	<u>15,306</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	388,437
Restricted for:	
Cemetery	4,925
Fire Protection	127
Lake Improvement	55,716
Road Improvement	129,123
Unrestricted	<u>233,073</u>
TOTAL NET POSITION	<u>\$ 811,401</u>

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET POSITION
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 109,144	\$ 9,148	\$ 7,756	\$ 0	\$ (92,240)
Public Safety	110,604	0	0	0	(110,604)
Public Works	18,557	0	14,720	0	(3,837)
Recreation and Cultural	34,817	0	26,721	0	(8,096)
Other Functions	10,146	0	0	0	(10,146)
Total Governmental Activities	<u>\$ 283,268</u>	<u>\$ 9,148</u>	<u>\$ 49,197</u>	<u>\$ 0</u>	<u>(224,923)</u>
<u>GENERAL REVENUES</u>					
					196,024
					108,173
					2,315
					3,308
					<u>309,820</u>
					84,897
					<u>726,504</u>
					<u>\$ 811,401</u>

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2014

	GENERAL FUND	FIRE FUND	MAPLE HILL CEMETERY FUND	ROSE LAKE IMPROVEMENT FUND	MCCOY LAKE ROAD IMPROVEMENT FUND
<u>ASSETS</u>					
Cash	\$ 203,751	\$ 3,309	\$ 4,925	\$ 48,963	\$ 2,238
Taxes Receivable	4,294	0	0	0	0
Special Assessment Receivable	0	11,834	0	866	360
Due from Other Governments	22,721	0	0	0	0
Due from Other Funds	6,048	0	0	0	0
 TOTAL ASSETS	 \$ 236,814	 \$ 15,143	 \$ 4,925	 \$ 49,829	 \$ 2,598
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Due to Other Governments	0	15,016	0	0	0
Payroll Liabilities	290	0	0	0	0
 Total Liabilities	 290	 15,016	 0	 0	 0
<u>FUND BALANCE</u>					
Restricted for:					
Cemetery	0	0	4,925	0	0
Fire Protection	0	127	0	0	0
Lake Improvement	0	0	0	49,829	0
Road Improvement	3,451	0	0	0	2,598
Unassigned	233,073	0	0	0	0
 Total Fund Balance	 236,524	 127	 4,925	 49,829	 2,598
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 236,814	 \$ 15,143	 \$ 4,925	 \$ 49,829	 \$ 2,598

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

SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	NORTH HOGBACK LAKE ROAD IMPROVEMENT FUND	PENASA LAKE IMPROVEMENT FUND	MARILYN DRIVE IMPROVEMENT FUND	ROAD FUND	GORDON DRIVE IMPROVEMENT FUND	TOTALS
\$ 9,933	\$ 1,735	\$ 5,087	\$ 4,291	\$ 98,495	\$ 600	\$ 383,327
0	0	0	0	5,262	0	9,556
1,840	786	800	0	0	400	16,886
0	0	0	0	0	0	22,721
0	0	0	0	0	0	6,048
\$ 11,773	\$ 2,521	\$ 5,887	\$ 4,291	\$ 103,757	\$ 1,000	\$ 438,538
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 268	\$ 268
0	0	0	0	0	0	15,016
0	0	0	0	0	0	290
0	0	0	0	0	268	15,574
0	0	0	0	0	0	4,925
0	0	0	0	0	0	127
0	0	5,887	0	0	0	55,716
11,773	2,521	0	4,291	103,757	732	129,123
0	0	0	0	0	0	233,073
11,773	2,521	5,887	4,291	103,757	732	422,964
\$ 11,773	\$ 2,521	\$ 5,887	\$ 4,291	\$ 103,757	\$ 1,000	\$ 438,538

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2014

Total Fund Balances for Governmental Funds	\$	422,964
--	----	---------

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	7,632	
Land Improvements		10,305	
Building Improvements		44,285	
Equipment		11,366	
Public Domain Infrastructure		398,069	
Accumulated Depreciation		(83,220)	388,437

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>811,401</u>
---	----	----------------

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2014

	GENERAL FUND	FIRE FUND	MAPLE HILL CEMETERY FUND	ROSE LAKE IMPROVEMENT FUND	MCCOY LAKE ROAD IMPROVEMENT FUND
<u>REVENUES</u>					
Taxes	\$ 40,062	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	4,006	0	0	0	0
State Grants	108,173	0	0	0	0
Contributions from Local Units	0	0	3,750	0	0
Charges for Services	6,398	0	2,750	0	0
Interest and Rents	2,185	5	5	42	1
Other Revenues	3,308	106,874	0	21,381	1,980
Total Revenues	164,132	106,879	6,505	21,423	1,981
<u>EXPENDITURES</u>					
General Government	99,442	0	6,473	0	0
Public Safety	3,685	106,919	0	0	0
Public Works	0	0	0	0	0
Recreation and Culture	2,514	0	0	27,452	2,222
Other Functions	10,146	0	0	0	0
Debt Service	0	0	0	0	0
Total Expenditures	115,787	106,919	6,473	27,452	2,222
Excess (Deficiency) of Revenues Over Expenditures	48,345	(40)	32	(6,029)	(241)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfer In	0	0	1,250	0	0
Transfer Out	(1,250)	0	0	0	0
Total Other Financing Sources (Uses)	(1,250)	0	1,250	0	0
Net Change in Fund Balance	47,095	(40)	1,282	(6,029)	(241)
<u>FUND BALANCE</u> - Beginning of Year	189,429	167	3,643	55,858	2,839
<u>FUND BALANCE</u> - End of Year	\$ 236,524	\$ 127	\$ 4,925	\$ 49,829	\$ 2,598

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

SOUTH HOGBACK LAKE ROAD IMPROVEMENT FUND	NORTH HOGBACK LAKE ROAD IMPROVEMENT FUND	PENASA LAKE IMPROVEMENT FUND	MARILYN DRIVE IMPROVEMENT FUND	ROAD FUND	GORDON DRIVE IMPROVEMENT FUND	TOTALS
\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,088	\$ 0	\$ 89,150
0	0	0	0	0	0	4,006
0	0	0	0	0	0	108,173
0	0	0	0	0	0	3,750
0	0	0	0	0	0	9,148
6	1	3	2	65	0	2,315
8,970	1,750	3,360	3,000	0	1,000	151,623
8,976	1,751	3,363	3,002	49,153	1,000	368,165
0	0	0	0	0	0	105,915
0	0	0	0	0	0	110,604
6,464	1,017	0	2,801	45	268	10,595
0	0	2,629	0	0	0	34,817
0	0	0	0	0	0	10,146
0	0	0	0	0	0	0
6,464	1,017	2,629	2,801	45	268	272,077
2,512	734	734	201	49,108	732	96,088
0	0	0	0	0	0	1,250
0	0	0	0	0	0	(1,250)
0	0	0	0	0	0	0
2,512	734	734	201	49,108	732	96,088
9,261	1,787	5,153	4,090	54,649	0	326,876
\$ 11,773	\$ 2,521	\$ 5,887	\$ 4,291	\$ 103,757	\$ 732	\$ 422,964

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

ROSE LAKE TOWNSHIP, OSCEOLA TOWNSHIP
LEROY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 96,088
---	-----------

Amounts reported for governmental 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	(11,191)
Capital Outlay	<u>0</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 84,897</u></u>
---	-------------------------

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2014

	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 5,780
<u>LIABILITIES</u>	
Due to General Fund	<u>5,780</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Rose Lake Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Rose Lake Township is a general law township located in Osceola County which operates under the direction of an elected Township Board. Under the criteria established by accounting generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Rose Lake Township reports the following major governmental funds:

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

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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

The *Maple Hill Cemetery Fund* accounts for revenue sources that are legally restricted to expenditures for cemetery improvements.

The *Rose Lake Improvement Fund* is a special assessment district established for the purpose of improving Rose Lake. This fund is used to account for all of the revenues and expenditures relating to Rose Lake.

The *McCoy Lake Road Improvement Fund* is a special assessment district established in 2000, and renewed in 2011 for another five years. This fund will assess property owners on certain roads around McCoy Lake to pay for improvements to those roads.

The *South Hogback Lake Road Improvement Fund* is a special assessment district established in 2001, and renewed in 2011 for another five years. This fund will assess property owners on certain roads around South Hogback Lake to pay for improvements to those roads.

The *North Hogback Lake Road Improvement Fund* is a special assessment district established in 2005 for a period of five years, and renewed in 2010 for another five years. This fund will assess property owners on certain roads around North Hogback Lake to pay for improvements to those roads.

The *Penasa Lake Improvement Fund* is a special assessment district established in 2007 for a period of five years, and renewed in 2012 for another five years. This fund is used to account for all of the revenues and expenditures relating to Penasa Lake.

The *Marilyn Drive Improvement Fund* is a special assessment district established in 2009 for a period of five years. This fund is used to account for all of the revenues and expenditures relating to Marilyn Drive.

The *Road Fund* was established in 2011. This fund is used to account for all of the revenues and expenditures legally restricted for road improvements.

The *Gordon Drive Improvement Fund* is a special assessment district established in 2013 for a period of five years. This fund is used to account for all of the revenues and expenditures relating to Gordon Drive.

Additionally, Rose Lake Township reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 6, 2013, or as amended by the Township Board from time to time throughout the year.

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

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

2. Excess of Expenditures over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Building and Grounds	\$ 8,000	\$ 8,132
Public Safety		
Building Inspection	0	3,685
Recreation and Cultural		
Parks and Recreation	1,500	2,014

These overages were covered by available fund balance and greater than anticipated revenues.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

3. *Special Revenue Fund Without Budget*

The Gordon Drive Improvement fund is new in the fiscal year 2013-2014, and the Board failed to adopt a budget as required by state law.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash and Cash Equivalents*

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Investment Policy adopted by the Township states that the Township Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Rose Lake Township Board of at the Board's organizational meeting after each regular election of board members.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township. This authorization is limited to securities whose intention is to maintain a new asset value of \$1.00 per share.
- h. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20
Land Improvements	20
Public Domain Infrastructure	50
Vehicles	10
Equipment and Furniture	5-10

4. *Deferred Outflows/Inflows 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. The Township does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s)

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any deferred inflows of resources.

5. *Net Position Flow Assumption*

Sometimes the government 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 to report as restricted – net position and unrestricted – net position 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund Balance Flow Assumption*

Sometimes the government 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 government's policy to consider restricted fund balance to have been depleted before using any of the 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.

7. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

8. *Use of Estimates*

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

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2013 taxable valuation of Rose Lake Township totaled \$49,069,400, on which ad valorem taxes levied consisted of 0.8163 mills for Rose Lake Township operating purposes and 1.0000 mills for road improvements. The levy raised approximately \$40,040 for operating purposes and \$49,061 for road improvements.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2014. Note I.F.3, Special Revenue Fund Without Budget, describes a budgetary violation that occurred for the year ended March 31, 2014.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

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. As of March 31, 2014, none of the Township's bank balance of \$411,526 was exposed to custodial credit risk because it was all insured and collateralized. Although it is not specifically addressed in the Township's investment policy, the Township typically limits its exposure to this type of risk by controlling who holds its deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Fire	Rose Lake Improvement	McCoy Lake Road Improvement	S. Hogback Lake Road Improvement	N. Hogback Lake Road Improvement	Penasa Lake Improvement	Marilyn Drive Improvement	Road	Gordon Drive Improvement	Total Primary Government
Receivables											
Taxes & Special Assessments	\$ 4,294	\$ 11,834	\$ 866	\$ 360	\$ 1,840	\$ 786	\$ 800	\$ 0	\$ 5,262	\$ 400	\$ 26,442
Due from Other Governments	22,721	0	0	0	0	0	0	0	0	0	22,721
Total Receivables	<u>\$ 27,015</u>	<u>\$ 11,834</u>	<u>\$ 866</u>	<u>\$ 360</u>	<u>\$ 1,840</u>	<u>\$ 786</u>	<u>\$ 800</u>	<u>\$ 0</u>	<u>\$ 5,262</u>	<u>\$ 400</u>	<u>\$ 49,163</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 7,632	\$ 0	\$ 0	\$ 7,632
Capital assets, being depreciated				
Building Improvements	44,285	0	0	44,285
Land Improvements	10,305	0	0	10,305
Equipment	11,366	0	0	11,366
Public Domain Infrastructure	398,069	0	0	398,069
Total capital assets, being depreciated	464,025	0	0	464,025
Less accumulated depreciation for:				
Building Improvements	23,555	2,214	0	25,769
Land Improvements	6,038	515	0	6,553
Equipment	10,033	500	0	10,533
Public Domain Infrastructure	32,403	7,962	0	40,365
Total accumulated depreciation	72,029	11,191	0	83,220
Total capital assets, being depreciated, net	391,996	(11,191)	0	380,805
Governmental activities capital assets, net	\$ 399,628	\$ (11,191)	\$ 0	\$ 388,437

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

Governmental activities:

General Government	\$ 3,229
Public Works	7,962
	<u>\$ 11,191</u>

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

D. Interfund Receivables, Payables and Transfers

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

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 6,048	\$ 0
Fiduciary Funds		268
Current Tax Collection Fund	0	5,780
	<u>\$ 6,048</u>	<u>\$ 6,048</u>

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

Interfund Transfers as of March 31, 2014, were:

	TRANSFERS	
	IN	OUT
General Fund	\$ 0	\$ 1,250
Cemetery Fund	1,250	0
	<u>\$ 1,250</u>	<u>\$ 1,250</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

IV. OTHER INFORMATION

A. Joint Fire District

The Township is a member of the LeRoy-Rose Lake Fire District. The Fire District is a joint venture of LeRoy Township, Rose Lake Township and the Village of LeRoy created to provide fire protection for the member units. Rose Lake Township levies a special assessment equivalent to approximately 2.2500 mills to support the Fire District.

A copy of the audited financial statements may be obtained upon request from the Fire District treasurer.

B. Commitments

The Township entered into a contract with the Osceola County Road Commission for wedging and chip sealing. The work will be completed in the 2014-2015 fiscal year. The Township's share is approximately \$119,000 of the total cost of the project. Additionally, the Township entered into a contract to have a fence installed at Rose Lake Cemetery. The total cost for the fence and installation will be \$5,824.

C. Subsequent Events

In April 2014, the Township approved additional chipping and sealing with the Osceola County Road Commission. The Township's share will be approximately \$13,750, and the work is expected to be completed during the 2014-2015 year. The Township also approved a tree cutting bid of \$1,900 for the Rose Lake Cemetery, which is expected to be completed during the 2014-2015 fiscal year. No adjustments were made to this year's financial statements as a result of these events.

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014

	GENERAL FUND			FIRE FUND			MAPLE HILL CEMETERY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 49,220	\$ 49,220	\$ 40,062	\$ 120,595	\$ 120,595	\$ 106,874	\$ 0	\$ 0	\$ 0
Licenses and Permits	7,000	7,000	4,006	0	0	0	0	0	0
State Grants	80,500	80,500	108,173	0	0	0	0	0	0
Contributions from Local Units	0	0	0	0	0	0	3,750	3,750	3,750
Charges for Services	5,725	5,725	6,398	0	0	0	6,500	6,500	2,750
Interest and Rents	5,000	5,000	2,185	50	50	5	100	100	5
Other Revenues	7,500	7,500	3,308	0	0	0	0	0	0
Total Revenues	154,945	154,945	164,132	120,645	120,645	106,879	10,350	10,350	6,505
<u>EXPENDITURES</u>									
General Government									
Township Board	21,000	21,000	14,239	0	0	0	0	0	0
Supervisor	10,000	10,000	9,306	0	0	0	0	0	0
Election	5,000	5,000	360	0	0	0	0	0	0
Assessor	25,000	25,000	24,180	0	0	0	0	0	0
Clerk	19,000	19,000	13,133	0	0	0	0	0	0
Board of Review	3,500	3,500	1,808	0	0	0	0	0	0
Treasurer	23,000	23,000	22,820	0	0	0	0	0	0
Building and Grounds	5,000	8,000	8,132	0	0	0	0	0	0
Cemetery	4,500	5,500	5,464	0	0	0	15,575	15,575	6,473
Public Safety									
Fire Protection	0	0	0	120,645	120,645	106,919	0	0	0
Building Inspection	0	0	3,685	0	0	0	0	0	0
Public Works									
Highways, Streets, Bridges	0	0	0	0	0	0	0	0	0
Recreation and Cultural									
Library	500	500	500	0	0	0	0	0	0
Parks and Recreation	1,500	1,500	2,014	0	0	0	0	0	0
Lake Improvement	0	0	0	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	8,700	8,700	5,274	0	0	0	0	0	0
Employee Benefits	6,000	6,000	4,872	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0	0
Contingency	34,195	30,195	0	0	0	0	0	0	0
Total Expenditures	166,895	166,895	115,787	120,645	120,645	106,919	15,575	15,575	6,473
Excess (Deficiency) of Revenues Over Expenditures	(11,950)	(11,950)	48,345	0	0	(40)	(5,225)	(5,225)	32
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfer In	0	0	0	0	0	0	1,250	1,250	1,250
Transfer Out	(1,250)	(1,250)	(1,250)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(1,250)	(1,250)	(1,250)	0	0	0	1,250	1,250	1,250
Net Change in Fund Balance	(13,200)	(13,200)	47,095	0	0	(40)	(3,975)	(3,975)	1,282
<u>FUND BALANCE</u> - Beginning of Year	13,200	13,200	189,429	166	166	167	3,975	3,975	3,643
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 236,524	\$ 166	\$ 166	\$ 127	\$ 0	\$ 0	\$ 4,925

23

ROSE LAKE TOWNSHIP, OSCEOLA COUNTY
LEROY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014

NORTH HOGBACK LAKE ROAD IMPROVEMENT FUND			PENASA LAKE IMPROVEMENT FUND			MARILYN DRIVE IMPROVEMENT FUND			ROAD FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,406	\$ 54,406	\$ 49,088
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
20	20	1	50	50	3	50	50	2	100	100	65
2,373	2,373	1,750	4,160	4,160	3,360	3,000	3,000	3,000	0	0	0
2,393	2,393	1,751	4,210	4,210	3,363	3,050	3,050	3,002	54,506	54,506	49,153
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
1,807	1,807	1,017	0	0	0	4,140	4,140	2,801	103,984	103,984	45
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	5,203	5,203	2,629	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
1,807	1,807	1,017	5,203	5,203	2,629	4,140	4,140	2,801	103,984	103,984	45
586	586	734	(993)	(993)	734	(1,090)	(1,090)	201	(49,478)	(49,478)	49,108
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0
586	586	734	(993)	(993)	734	(1,090)	(1,090)	201	(49,478)	(49,478)	49,108
1,164	1,164	1,787	4,353	4,353	5,153	4,090	4,090	4,090	49,478	49,478	54,649
\$ 1,750	\$ 1,750	\$ 2,521	\$ 3,360	\$ 3,360	\$ 5,887	\$ 3,000	\$ 3,000	\$ 4,291	\$ 0	\$ 0	\$ 103,757



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

May 15, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the Township Board
Rose Lake Township
Osceola County
Leroy, MI

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Rose Lake Township for the year ended March 31, 2014, and has issued our report thereon dated May 15, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rose Lake Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We proposed several adjusting journal entries that were accepted and recorded by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 15, 2014.

Management Consultations with Other Independent Accountants

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

May 15, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Rose Lake Township
Osceola County
Leroy, MI

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Rose Lake Township as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Rose Lake Township'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 Rose Lake Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Rose Lake Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily 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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

1) Segregation of Incompatible Duties and Documented Independent Review

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

2) *Preparation of Financial Statements in Accordance with GAAP*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Rose Lake Township's responses to the findings identified in our audit are described above. We did not audit Rose Lake Township's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.