

Laketon Township  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2014



Laketon Township

**TABLE OF CONTENTS**

Management’s Discussion and Analysis..... i - ix

Independent Auditors’ Report..... 1

Basic Financial Statements

    Government-Wide Financial Statements

        Statement of Net Position..... 3

        Statement of Activities ..... 4

    Fund Financial Statements

        Governmental Funds

            Balance Sheet..... 5

            Reconciliation of the Governmental Funds Balance Sheet  
            to the Statement of Net Position..... 6

            Statement of Revenues, Expenditures and Changes  
            in Fund Balances ..... 7

            Reconciliation of the Governmental Funds Statement of Revenues,  
            Expenditures and Changes in Fund Balances to the Statement of  
            Activities ..... 8

        Proprietary Funds

            Statement of Net Position..... 9

            Statement of Revenues, Expenses and Changes in Net Position..... 10

            Statement of Cash Flows..... 11

        Statement of Fiduciary Assets and Liabilities ..... 12

        Notes to Financial Statements ..... 13

Required Supplementary Information

    Budgetary Comparison Schedule—General Fund..... 27

    Budgetary Comparison Schedule—Public Safety Fund ..... 28

    Budgetary Comparison Schedule—Local Water Improvement Fund ..... 29

    Schedule of Funding Progress for Other Postemployment Benefits Plan ..... 30

As management of Laketon Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

- Assets of the Township exceeded liabilities at the close of the fiscal year by \$8,794,309 (net position). Of this amount, \$3,336,051 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- Governmental activities had net position totaling \$2,586,726 while business-type activities ended the year with \$6,207,583 in total net position.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of 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 the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 Township's net position changed during the fiscal year. All changes in net position are reported when the 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 the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The business-type activities of the Township include sewer services.

### **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. 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 financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-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 short-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.

The Township maintains several 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, Public Safety Fund, and Local Water Improvement Fund which are considered major funds.

**Proprietary Funds.** The Township has one enterprise proprietary 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 operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, Public Safety Fund, and Local Water Improvement Fund.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net position for the Township. As stated earlier, the net position may be used as an indicator of a government's financial health. As of March 31, 2014, the Township's net position from governmental activities totaled \$2,586,726 (29%) and \$6,207,583 (71%) from business-type activities, creating a total government-wide net position total of \$8,794,309.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$439,906. This represents the amount of discretionary resources that can be used for general governmental operations.

For governmental activities, current assets decreased due to a Township match for the Bear Lake Bike Path project. Correspondingly, capital assets increased as a result of the project. Noncurrent liabilities increased as the Township's liability for unfunded other postemployment benefits increased as the Township continues to fund postemployment benefits on a pay-as-you-go-basis.

The business-type activities show a total of \$6,207,583 in net position and \$2,896,145 in unrestricted net position.

For business-type activities, the decrease in current assets mirrors the operating loss in the Sewer Fund. Capital assets decreased as current year depreciation exceeded capital additions. Long-term debt decreased by scheduled debt payments.

## Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets and other assets	\$ 1,388,300	\$ 1,498,772	\$ 3,012,782	\$ 3,270,095	\$ 4,401,082	\$ 4,768,867
Capital assets	1,655,725	1,084,218	8,286,438	8,637,801	9,942,163	9,722,019
Total assets	3,044,025	2,582,990	11,299,220	11,907,896	14,343,245	14,490,886
Current liabilities	120,394	67,614	351,637	354,110	472,031	421,724
Noncurrent liabilities	336,905	277,240	4,740,000	4,975,000	5,076,905	5,252,240
Total liabilities	457,299	344,854	5,091,637	5,329,110	5,548,936	5,673,964
Net position						
Net investment in capital assets	1,655,725	1,084,218	3,311,438	3,437,801	4,967,163	4,522,019
Restricted	491,095	461,882	-	-	491,095	461,882
Unrestricted	439,906	692,036	2,896,145	3,140,985	3,336,051	3,833,021
Total net position	\$ 2,586,726	\$ 2,238,136	\$ 6,207,583	\$ 6,578,786	\$ 8,794,309	\$ 8,816,922

**Governmental Activities**

Net position of the Township's governmental activities increased by \$348,590 (16%) during the 2014 fiscal year. The following table shows these results.

Capital grants and contributions of \$300,000 for were for a grant supporting the Bear Lake Bike Path project. General government expenses decreased due to savings from a change in health insurance benefits. Public works expenses decreased as the Township did fewer street improvements in partnership with the Muskegon County Road Commission and also less spent on leaf disposal and brush chipping.

**Business-type Activities**

At the end of the fiscal year, the net position for business-type activities decreased \$371,203 or 6%.

Charges for services increased due to a rate increase for sewer services that took effect in the final quarter of the year. Capital grants and contributions continue to decline as most eligible property owners have hooked up to sewer services in the Green Creek subdivision.

**Change in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 163,547	\$ 165,857	\$ 490,360	\$ 467,460	\$ 653,907	\$ 633,317
Operating grants	6,951	5,499	-	-	6,951	5,499
Capital grants and contributions	300,000	-	33,084	138,929	333,084	138,929
General revenues						
Property taxes	680,701	677,000	-	-	680,701	677,000
Franchise fees	98,623	96,831	-	-	98,623	96,831
Grants and contributions not restricted	563,749	553,820	-	-	563,749	553,820
Unrestricted investment earnings	3,081	5,367	58,330	57,880	61,411	63,247
Miscellaneous	45,987	22,527	-	-	45,987	22,527
Total revenues	<u>1,862,639</u>	<u>1,526,901</u>	<u>581,774</u>	<u>664,269</u>	<u>2,444,413</u>	<u>2,191,170</u>
Expenses:						
General government	807,341	846,193	-	-	807,341	846,193
Public safety	415,425	410,909	-	-	415,425	410,909
Public works	189,070	220,112	-	-	189,070	220,112
Community and economic development	26,865	25,334	-	-	26,865	25,334
Culture and recreation	75,348	88,896	-	-	75,348	88,896
Sewer Fund	-	-	952,977	923,482	952,977	923,482
Total expenses	<u>1,514,049</u>	<u>1,591,444</u>	<u>952,977</u>	<u>923,482</u>	<u>2,467,026</u>	<u>2,514,926</u>
Change in net position	348,590	(64,543)	(371,203)	(259,213)	(22,613)	(323,756)
Net position - Beginning	<u>2,238,136</u>	<u>2,302,679</u>	<u>6,578,786</u>	<u>6,837,999</u>	<u>8,816,922</u>	<u>9,140,678</u>
Net position - Ending	<u>\$ 2,586,726</u>	<u>\$ 2,238,136</u>	<u>\$ 6,207,583</u>	<u>\$ 6,578,786</u>	<u>\$ 8,794,309</u>	<u>\$ 8,816,922</u>

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the 2014 fiscal year, the Township governmental funds reported a combined unassigned fund balance of \$759,772, all of which is in the General Fund. The remainder of the fund balance is restricted for public safety and water purposes or committed for a new football storage building in the park.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$769,772, a decrease of \$191,159 from fiscal year 2013. The health of the General fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. Unassigned fund balance represents 46% of the General Fund's expenditures (52% in the prior year).

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sewer Fund decreased by \$371,203.

### **General Fund Budget**

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those are listed below:

- Property tax revenues were amended down by \$26,940 to reflect lower than expected taxable value and the new Veteran's exemption.
- Intergovernmental revenues – State were amended up by \$322,230 because of unanticipated growth in State revenue sharing and a grant receivable for the Bear Lake Bike Path project.
- Other revenues were amended up by \$36,529 due to an insurance reimbursement.
- Buildings and grounds expenditures were amended down by \$40,072 due to savings from changes to health insurance.
- Roads expenditures were amended up by \$224,230 for the Bear Lake Bike Path project.
- Sanitation expenditures were amended down by \$11,809 due to the delaying of brush chipping and removal to next fiscal year.
- Parks expenditures were amended up by \$36,179 to pay for repairs to a fire damaged building.



**Budget Variations**

The following comments summarize the major variations from the final budget to actual revenues and expenditures in the General Fund.

- Cemetery expenditures were \$61,207, \$19,622 less than budgeted because of a correction in wage allocation.
- Inspection expenditures were \$45,136, \$27,676 less than budgeted because of a correction in wage allocation.
- Roads expenditures were \$630,360, \$16,530 more than budgeted because of higher than anticipated costs related to the Bear Lake bike trail project.

**Capital Assets**

The Township’s investment in capital assets for its governmental and business-type activities as of March 31, 2014 totaled \$9,942,163 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included the following:

- Continued progress on the Bear Lake Bike Path construction project for \$564,625.
- A new press box was completed for \$41,997.
- A parcel of land was purchased on Memorial Drive for \$10,000.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 65,016	\$ 65,016	\$ 10,000	\$ -	\$ 75,016	\$ 65,016
Construction in progress	582,432	17,807	17,875	17,875	600,307	35,682
Land improvements	91,612	102,997	-	-	91,612	102,997
Buildings and improvements	894,245	867,212	-	-	894,245	867,212
Furniture and equipment	22,420	31,186	-	-	22,420	31,186
Utility systems	-	-	8,258,563	8,619,926	8,258,563	8,619,926
<b>Total</b>	<b>\$ 1,655,725</b>	<b>\$ 1,084,218</b>	<b>\$ 8,286,438</b>	<b>\$ 8,637,801</b>	<b>\$ 9,942,163</b>	<b>\$ 9,722,019</b>

Additional information on the Township’s capital assets can be found in Note D of the “Notes to Financial Statements” of this report.

**Long-Term Debt**

At the end of the fiscal year, the Township had total outstanding debt of \$5,311,905 consisting of contracts payable and other postemployment benefits.

**Outstanding Debt**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Contracts payable	\$ -	\$ -	\$ 4,975,000	\$ 5,200,000	\$ 4,975,000	\$ 5,200,000
Other postemployment benefits	336,905	277,240	-	-	336,905	277,240
<b>Total</b>	<b>\$ 336,905</b>	<b>\$ 277,240</b>	<b>\$ 4,975,000</b>	<b>\$ 5,200,000</b>	<b>\$ 5,311,905</b>	<b>\$ 5,477,240</b>

The Township’s total debt decreased by \$165,335 during the fiscal year. This decrease was due to normally scheduled debt payments partially offset by the Township not making its actuarially computed annual required contributions for its retiree healthcare plan.

Additional information on the Township’s long-term debt can be found in Note F of the “Notes to Financial Statements” of this report.

**General Economic Overview**

The Township’s budget for the 2014/2015 fiscal year anticipates no significant changes in operating revenues. The Township has budgeted a small increase in property taxes and no significant change in state revenue sharing.

Due to the lack of significant new revenue, the Township has budgeted operating expenditures to remain about the same as the previous year. The only significant capital project budgeted for the 2014/2015 fiscal year is road improvements to a portion Peterson Road for approximately \$46,000. The Township has obtained a \$264,000 Federal Safe Routes to School grant to install a bike path along portions of Giles and Horton near the school. The Township’s only required contribution toward this project is engineering fees of approximately \$14,000.

The Township did significant expansion in its Sewer Fund over the past few years. Other than a possible minor expansion along Memorial Drive, the Township has no plans for expansion in the foreseeable future. The Township has received a Stormwater, Asset Management, and Wastewater (SAW) Grant to get a maintenance action program in place on the older portions of the Township’s sewer system although the Township is uncertain as to whether the project will begin in the 2014/2015 fiscal year or the subsequent year. As part of the SAW Grant, the Township will reevaluate its rate structure.

**Requests for Information**

This financial report is designed to provide a general overview of Laketon Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Laketon Township, 2735 West Giles Road, North Muskegon, Michigan, 49445, (231) 744-2454.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

July 22, 2014

Township Board  
Laketon Township  
Muskegon, Michigan

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion 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.

Township Board  
Laketon Township  
July 22, 2014  
Page 2

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Laketon Township, Michigan, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 required supplementary information on pages i through ix and 27 through 30 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.



Muskegon, Michigan

Laketon Township  
**STATEMENT OF NET POSITION**  
 March 31, 2014

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 917,478	\$ 552,539	\$ 1,470,017
Investments	209,714	1,429,291	1,639,005
Receivables	64,749	214,842	279,591
Due from other governmental units	188,550	28,906	217,456
Internal balances	770	(770)	-
Total current assets	1,381,261	2,224,808	3,606,069
Noncurrent assets			
Special assessments receivable, less amounts due within one year	7,039	787,974	795,013
Capital assets, net			
Nondepreciable	647,448	27,875	675,323
Depreciable	1,008,277	8,258,563	9,266,840
Total noncurrent assets	1,662,764	9,074,412	10,737,176
Total assets	3,044,025	11,299,220	14,343,245
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	65,927	97,156	163,083
Due to other governmental units	54,467	19,481	73,948
Contracts and other obligations due within one year	-	235,000	235,000
Total current liabilities	120,394	351,637	472,031
Noncurrent liabilities			
Contracts and other obligations, less amounts due within one year	336,905	4,740,000	5,076,905
Total liabilities	457,299	5,091,637	5,548,936
<b>NET POSITION</b>			
Net investment in capital assets	1,655,725	3,311,438	4,967,163
Restricted			
Public safety	237,377	-	237,377
Water purposes	253,718	-	253,718
Unrestricted	439,906	2,896,145	3,336,051
Total net position	<b>\$ 2,586,726</b>	<b>\$ 6,207,583</b>	<b>\$ 8,794,309</b>

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2014

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental activities							
General government	\$ 807,341	\$ 58,502	\$ -	\$ -	\$ (748,839)	\$ -	\$ (748,839)
Public safety	415,425	67,319	-	-	(348,106)	-	(348,106)
Public works	189,070	34,222	6,951	300,000	152,103	-	152,103
Community and economic development	26,865	2,754	-	-	(24,111)	-	(24,111)
Culture and recreation	75,348	750	-	-	(74,598)	-	(74,598)
Total governmental activities	1,514,049	163,547	6,951	300,000	(1,043,551)	-	(1,043,551)
Business-type activities							
Sewer	952,977	490,360	-	33,084	-	(429,533)	(429,533)
Total government	<b>\$ 2,467,026</b>	<b>\$ 653,907</b>	<b>\$ 6,951</b>	<b>\$ 333,084</b>	(1,043,551)	(429,533)	(1,473,084)
General revenues							
Property taxes, levied for							
General purposes					268,311	-	268,311
Specific purposes					412,390	-	412,390
Franchise fees					98,623	-	98,623
Grants and contributions not restricted to specific programs					563,749	-	563,749
Unrestricted investment earnings					3,081	58,330	61,411
Miscellaneous					45,987	-	45,987
Total general revenues					1,392,141	58,330	1,450,471
Change in net position					348,590	(371,203)	(22,613)
Net position at April 1, 2013					2,238,136	6,578,786	8,816,922
Net position at March 31, 2014					<b>\$ 2,586,726</b>	<b>\$ 6,207,583</b>	<b>\$ 8,794,309</b>

The accompanying notes are an integral part of this statement.

Laketon Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2014

	<b>General Fund</b>	<b>Public Safety Fund</b>	<b>Local Water Improvement Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 509,058	\$ 350,296	\$ 58,124	\$ 917,478
Investments	-	-	209,714	209,714
Receivables				
Accounts	29,460	-	-	29,460
Property taxes	14,287	21,002	-	35,289
Special assessments	7,039	-	-	7,039
Due from other governmental units	183,560	-	4,990	188,550
Due from other funds	100,991	-	-	100,991
Total assets	<b>\$ 844,395</b>	<b>\$ 371,298</b>	<b>\$ 272,828</b>	<b>\$ 1,488,521</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 56,882	\$ -	\$ -	\$ 56,882
Accrued liabilities	9,045	-	-	9,045
Due to other governmental units	1,657	33,700	19,110	54,467
Due to other funds	-	100,221	-	100,221
Total liabilities	67,584	133,921	19,110	220,615
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - special assessments	7,039	-	-	7,039
<b>FUND BALANCES</b>				
Restricted				
Public safety	-	237,377	-	237,377
Water purposes	-	-	253,718	253,718
Committed - football building	10,000	-	-	10,000
Unassigned	759,772	-	-	759,772
Total fund balances	769,772	237,377	253,718	1,260,867
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 844,395</b>	<b>\$ 371,298</b>	<b>\$ 272,828</b>	<b>\$ 1,488,521</b>

The accompanying notes are an integral part of this statement.



Laketon Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 March 31, 2014

Total fund balances—governmental funds		\$ 1,260,867
Amounts reported for governmental activities 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 governmental funds.		
Cost of capital assets	\$ 2,544,556	
Accumulated depreciation	<u>(888,831)</u>	1,655,725
Other long-term assets, such as special assessments receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.		
		7,039
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Other postemployment benefits		<u>(336,905)</u>
Net position of governmental activities		<u><u>\$ 2,586,726</u></u>

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended March 31, 2014

	<b>General Fund</b>	<b>Public Safety Fund</b>	<b>Local Water Improvement Fund</b>	<b>Total Governmental funds</b>
<b>REVENUES</b>				
Property taxes	\$ 268,311	\$ 412,390	\$ -	\$ 680,701
Licenses and permits	147,638	-	-	147,638
Intergovernmental revenues - State	870,700	-	-	870,700
Charges for services	111,442	-	3,212	114,654
Fines and forfeitures	1,074	-	-	1,074
Investment earnings	1,498	380	1,203	3,081
Other	46,097	-	-	46,097
Total revenues	1,446,760	412,770	4,415	1,863,945
<b>EXPENDITURES</b>				
Current				
General government	631,043	-	-	631,043
Public safety	45,759	364,434	-	410,193
Public works	724,284	-	23,538	747,822
Community and economic development	23,792	-	-	23,792
Culture and recreation	106,057	-	-	106,057
Other governmental functions	106,984	-	-	106,984
Total expenditures	1,637,919	364,434	23,538	2,025,891
Net change in fund balances	(191,159)	48,336	(19,123)	(161,946)
Fund balances at April 1, 2013	960,931	189,041	272,841	1,422,813
Fund balances at March 31, 2014	<b>\$ 769,772</b>	<b>\$ 237,377</b>	<b>\$ 253,718</b>	<b>\$ 1,260,867</b>

The accompanying notes are an integral part of this statement.

Laketon Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2014

Net change in fund balances—total governmental funds \$(161,946)

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

Governmental funds report outlays for capital assets as expenditures. However,  
in the Statement of Activities, the cost of these assets is allocated over their  
estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (41,515)	
Capital outlay	<u>613,022</u>	571,507

Revenues reported in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the governmental funds. (1,306)

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as expenditures  
in the governmental funds.

Change in other postemployment benefits	<u>(59,665)</u>
---	-----------------

Change in net position of governmental activities	<u><u>\$ 348,590</u></u>
---	--------------------------

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF NET POSITION**  
 Proprietary Funds  
 March 31, 2014

	<b>Business-type            Activities -            Enterprise Fund</b> <hr/> <b>Sewer</b> <hr/>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 552,539
Investments	1,429,291
Receivables	
Accounts	138,842
Special assessments	76,000
Due from other governmental units	28,906
Total current assets	<hr/> 2,225,578
Noncurrent assets	
Special assessments receivable, less amounts due within one year	787,974
Capital assets	
Land	10,000
Construction in progress	17,875
Utility systems	14,454,508
Less accumulated depreciation	<hr/> (6,195,945)
Net capital assets	<hr/> 8,286,438
Total noncurrent assets	<hr/> 9,074,412
Total assets	11,299,990
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	7,905
Accrued liabilities	89,251
Due to other governmental units	19,481
Due to other funds	770
Bonds and other obligations, due within one year	235,000
Total current liabilities	<hr/> 352,407
Noncurrent liabilities	
Bonds and other obligations, less amounts due within one year	<hr/> 4,740,000
Total liabilities	<hr/> 5,092,407
<b>NET POSITION</b>	
Net investment in capital assets	3,311,438
Unrestricted	2,896,145
Total net position	<hr/> <b>\$ 6,207,583</b> <hr/>

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
 Proprietary Funds  
 For the year ended March 31, 2014

	<b>Business-type            Activities -            Enterprise Fund  <u>Sewer</u></b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 490,360
<b>OPERATING EXPENSES</b>	
Operations and administration	375,970
Depreciation	<u>361,363</u>
Total operating expenses	<u>737,333</u>
Operating loss	(246,973)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	58,330
Connection fees	33,084
Interest expense	<u>(215,644)</u>
Total nonoperating revenues (expenses)	<u>(124,230)</u>
Change in net position	(371,203)
Net position at April 1, 2013	<u>6,578,786</u>
Net position at March 31, 2014	<u><u>\$ 6,207,583</u></u>

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF CASH FLOWS**  
 Proprietary Funds  
 For the year ended March 31, 2014

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 466,102
Payments to suppliers	(383,771)
Payments to employees	(31,555)
	50,776
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Connection fees	157,867
Purchases of capital assets	(10,000)
Principal paid on capital debt	(225,000)
Interest paid on capital debt	(219,394)
	(296,527)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Investment earnings	58,330
Purchase of investments	(1,801)
	56,529
Net decrease in cash and cash equivalents	(189,222)
Cash and cash equivalents at April 1, 2013	741,761
Cash and cash equivalents at March 31, 2014	<b>\$ 552,539</b>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (246,973)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	361,363
Change in assets and liabilities	
Receivables, net	(24,258)
Internal balances	(30,633)
Payables, net	(8,723)
	<b>\$ 50,776</b>

The accompanying notes are an integral part of this statement.

Laketon Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2014

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$          741</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>\$          741</u>

The accompanying notes are an integral part of this statement.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Laketon Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

**Reporting Entity**

The Township is a municipal corporation governed by an elected five-member Board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

**Basis of Presentation—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 nonfiduciary activities of the Township. 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.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Township's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Township's sewer functions 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.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The 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.

The Public Safety Fund is used to account for a special tax millage levied by the Township for police and fire services.



Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

The Local Water Improvement Fund is used to account for certain user charges set aside by the Muskegon County Northside Water System for the Township for water related purposes.

The Township reports the following major enterprise fund:

The Sewer Fund accounts for the collection system and pays for access to the county's sewage treatment plant.

Additionally, the Township reports the following fund type:

The Agency Fund is custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

During the course of operations the Township 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 funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type 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. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Measurement Focus and Basis of Accounting—Continued**

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 Township 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 source (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. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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

***Cash and Investments***

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 the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-55
Furniture and equipment	5-15

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net 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/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Net Position Flow Assumption***

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Fund Balance Flow Assumptions***

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any 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.

***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 Township itself can establish limitation 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 Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer or Supervisor to assign fund balance. The Township 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 action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (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.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Revenues and Expenditures/Expenses—Continued**

***Property Taxes***

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and liened on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31.

Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred inflows. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2013 state taxable value for real/personal property of the Township totaled approximately \$210,500,000. The ad valorem taxes levied consisted of .9406 and 1.957 mills for the Township's general operating and public safety purposes, respectively. These amounts are recognized in the General Fund and Public Safety Fund, respectively.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

During the year ended March 31, 2014, actual expenditures exceeded appropriations for:

	<u>Final Budget</u>	<u>Actual</u>
General Fund		
Assessing	\$ 45,053	\$ 48,683
Roads	613,830	630,360
Sanitation	40,791	47,253
Local Water Improvement Fund		
Public works	723	23,538

These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of March 31, 2014, the Township had the following investments:

<b>Investment Type</b>	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market	\$ 150,294	1	not rated	9.2 %
Negotiable certificates of deposit	120,265	44	not rated	7.3
U.S. Treasury STRIPS	1,368,446	20	AAA	83.5
Total fair value	<u>\$ 1,639,005</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>20</u>		

**Deposit and Investment Risks**

***Interest Rate Risk***

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk***

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Deposit and Investment Risks—Continued**

***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, \$971,895 of the Township's bank balance of \$1,471,895 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Custodial Credit Risk – Investments***

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

***Foreign currency risk***

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

**NOTE D—CAPITAL ASSETS**

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

	<b>Balance April 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance March 31, 2014</b>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 65,016	\$ -	\$ -	\$ 65,016
Construction in progress	17,807	564,625	-	582,432
Total capital assets, not being depreciated	82,823	564,625	-	647,448
<b>Capital assets, being depreciated:</b>				
Land improvements	436,518	-	-	436,518
Buildings and improvements	1,174,335	48,397	-	1,222,732
Furniture and equipment	237,858	-	-	237,858
Total capital assets, being depreciated	1,848,711	48,397	-	1,897,108
<b>Less accumulated depreciation:</b>				
Land improvements	333,521	11,385	-	344,906
Buildings and improvements	307,123	21,364	-	328,487
Furniture and equipment	206,672	8,766	-	215,438
Total accumulated depreciation	847,316	41,515	-	888,831
Total capital assets, being depreciated, net	1,001,395	6,882	-	1,008,277
Capital assets, net	<b>\$ 1,084,218</b>	<b>\$ 571,507</b>	<b>\$ -</b>	<b>\$ 1,655,725</b>

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE D—CAPITAL ASSETS—Continued**

	<b>Balance April 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance March 31, 2014</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ -	\$ 10,000	\$ -	\$ 10,000
Construction in progress	17,875	-	-	17,875
Total capital assets, not being depreciated	17,875	10,000	-	27,875
<b>Capital assets, being depreciated:</b>				
Utility systems	14,454,508	-	-	14,454,508
Less accumulated depreciation	(5,834,582)	(361,363)	-	(6,195,945)
Total capital assets, being depreciated, net	8,619,926	(361,363)	-	8,258,563
Capital assets, net	<b>\$ 8,637,801</b>	<b>\$ (351,363)</b>	<b>\$ -</b>	<b>\$ 8,286,438</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 28,844
Public works	413
Culture and recreation	12,258
	<b>\$ 41,515</b>

**Business-type activities:**

Sewer	<b>\$ 361,363</b>
-------	-------------------

**NOTE E—INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of March 31, 2014 is as follows:

**Due To/Due From Other Funds:**

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Public Safety Fund	\$ 100,221
General Fund	Sewer Fund	770
		<b>\$ 100,991</b>

Interfund balances represent amounts payable and receivable for goods and services received from and provided to other funds and for short-term borrowings to cover cash flow needs.



Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2014.

	<u>Balance April 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2014</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Other postemployment benefits	\$ 277,240	\$ 75,248	\$ 15,583	\$ 336,905	\$ -
<b>Business-type activities:</b>					
Contract payable	\$ 5,200,000	\$ -	\$ 225,000	\$ 4,975,000	\$ 235,000

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
<b>Business-type activities:</b>			
<b>Contract Payable:</b>			
2008 Wastewater Management System Bonds	4-4.625%	May 2028	<u>\$ 4,975,000</u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2014 was \$207,522. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$7,900,000 Water Supply System Bond in 2006 to fund improvements to the Northside Water System which included part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2014 was \$1,797,900, or 26 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$9,215,000 Water Supply System Bond in 2008 to fund improvements to the Northside Water System which included part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2014 was \$1,818,750, or 25 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE F—LONG-TERM DEBT—Continued**

Annual debt service requirements to maturity for debt outstanding as of March 31, 2014 follow:

<b>Year Ending March 31,</b>	<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$ 235,000	\$ 209,502
2016	245,000	199,901
2017	260,000	189,801
2018	270,000	179,202
2019	285,000	168,102
2020-2024	1,625,000	649,811
2025-2029	2,055,000	244,285
	<b>\$ 4,975,000</b>	<b>\$ 1,840,604</b>

**NOTE G—OTHER INFORMATION**

**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. The Township manages its liability, property and insurance coverage as a member of the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE H—RETIREMENT PLAN**

**Defined Contribution Pension Plan**

The Township provides pension benefits for substantially all full-time employees through a defined contribution plan (Plan) maintained by Burnham & Flower Insurance Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan requires the Township to contribute 22 percent of each eligible employee's annual compensation each plan year. Employees are not required to contribute to the plan.

For the year ended March 31, 2014, the Township's total contribution to the Plan was \$80,382.

**NOTE I—OTHER POST-EMPLOYMENT BENEFITS**

**Retiree Healthcare Plan**

*Plan Description*

The Township administers a single-employer defined benefit healthcare plan (Retiree Healthcare Plan). The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Township. The Retiree Healthcare Plan does not issue a publicly available financial report and a legal trust has not been established for the Plan.

*Funding Policy*

Plan members are not required to contribute to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township. For the year ended March 31, 2014, the Township contributed \$15,583 to the Retiree Healthcare Plan, all of which were direct payments for retiree insurance, which is 21% of the other postemployment benefit (OPEB) cost.

*Annual OPEB Cost and Net OPEB Obligation*

The Township's OPEB cost is calculated based on the annual required contribution (ARC), an actuarially-determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Retiree Healthcare Plan, and changes in the Township's net OPEB obligation:

Annual required contribution	\$ 80,837
Interest on net OPEB obligation	11,090
Adjustment to annual required contribution	<u>(16,679)</u>
Net OPEB cost	75,248
Payments made to or on behalf of retirees	(15,583)
Contributions made to OPEB trust	<u>-</u>
Increase in net OPEB obligation	59,665
Net OPEB obligation at beginning of year	<u>277,240</u>
Net OPEB obligation at end of year	<u><u>\$ 336,905</u></u>

Laketon Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2014

**NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued**

**Trend Information**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/12	\$ 90,129	15.3 %	\$ 209,238
3/31/13	84,944	19.9	277,240
3/31/14	75,248	20.7	336,905

***Actuarial Methods and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Retiree Healthcare Plan as understood by the employer and Retiree Healthcare Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Retiree Healthcare Plan members not contributing to the Retiree Healthcare Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the March 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4 percent discount rate and (b) an annual healthcare trend rate of 4 percent initially, reduced by decrements to an ultimate rate of 0 percent after 4 years. Both rates include a 5 percent inflation assumption. The Retiree Healthcare Plan's unfunded actuarial accrued liability is being amortized as a level dollar, on a closed basis. The remaining amortization period at March 31, 2014 is 26 years.

***Funded Status and Progress***

As of March 31, 2014, the most recent valuation date, the Retiree Healthcare Plan was not funded. The actuarial accrued liability for benefits was approximately \$661,000, and the actuarial value of assets was none, resulting in an unfunded actuarial liability (UAAL) of approximately \$661,000. The covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) was approximately \$371,000, and the ratio of the UAAL to the covered payroll was 178 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the Retiree Healthcare Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTE J—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 39 percent of General Fund revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

Laketon Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 293,000	\$ 266,060	\$ 268,311	\$ 2,251
Licenses and permits	146,200	146,130	147,638	1,508
Intergovernmental revenues - State	544,500	866,730	870,700	3,970
Charges for services	101,400	103,549	111,442	7,893
Fines and forfeitures	500	809	1,074	265
Investment earnings	900	61	1,498	1,437
Other	6,099	42,628	46,097	3,469
Total revenues	1,092,599	1,425,967	1,446,760	20,793
<b>EXPENDITURES</b>				
Current				
General government				
Township board	9,577	9,675	9,894	(219)
Supervisor	42,830	39,688	39,378	310
Elections	16,900	21,945	18,302	3,643
Assessing	44,450	45,053	48,683	(3,630)
Professional services	26,400	26,780	26,780	-
Clerk	38,950	38,688	39,548	(860)
Treasurer	43,000	42,648	43,509	(861)
Building and grounds	364,550	324,478	314,457	10,021
Service building	20,500	29,288	29,285	3
Cemetery	74,000	80,829	61,207	19,622
Public safety				
Inspection	75,517	72,812	45,136	27,676
Ordinance enforcer	-	774	623	151
Public works				
Department of public works	-	603	601	2
Street lighting	41,500	45,951	46,070	(119)
Roads	389,600	613,830	630,360	(16,530)
Sanitation	52,600	40,791	47,253	(6,462)
Community and economic development				
Planning	22,100	22,936	22,991	(55)
Zoning	2,550	803	801	2
Culture and recreation				
Parks	69,550	105,729	106,057	(328)
Other governmental functions	105,500	106,984	106,984	-
Total expenditures	1,440,074	1,670,285	1,637,919	32,366
Excess of revenues over (under) expenditures	(347,475)	(244,318)	(191,159)	53,159
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	1,000	-	-	-
Net change in fund balance	<b>\$ (346,475)</b>	<b>\$ (244,318)</b>	(191,159)	<b>\$ 53,159</b>
Fund balance at April 1, 2013			960,931	
Fund balance at March 31, 2014			<b>\$ 769,772</b>	

Laketon Township  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 Public Safety Fund  
 For the year ended March 31, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 390,000	\$ 413,896	\$ 412,390	\$ (1,506)
Investment earnings	-	-	380	380
Total revenues	390,000	413,896	412,770	(1,126)
<b>EXPENDITURES</b>				
Current				
Public safety				
Fire department	268,000	267,000	266,982	18
Police protection	58,000	57,000	56,300	700
Fire hydrants	33,300	33,300	33,700	(400)
Ordinance enforcer	6,500	7,200	7,188	12
Other	325	300	264	36
Total expenditures	366,125	364,800	364,434	366
Net change in fund balance	<b>\$ 23,875</b>	<b>\$ 49,096</b>	48,336	<b>\$ (760)</b>
Fund balance at April 1, 2013			189,041	
Fund balance at March 31, 2014			<b>\$ 237,377</b>	

Laketon Township  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 Local Water Improvement Fund  
 For the year ended March 31, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 3,500	\$ 3,250	\$ 3,212	\$ (38)
Investment earnings	3,500	1,592	1,203	(389)
Total revenues	7,000	4,842	4,415	(427)
<b>EXPENDITURES</b>				
Current				
Public works	600	723	23,538	(22,815)
Net change in fund balance	<b>\$ 6,400</b>	<b>\$ 4,119</b>	(19,123)	<b>\$ (23,242)</b>
Fund balance at April 1, 2013			272,841	
Fund balance at March 31, 2014			<b>\$ 253,718</b>	



Laketon Township  
 Required Supplementary Information  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS PLAN**  
 For the year ended March 31, 2014

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
3/31/11	\$ -	\$ 633,196	\$ 633,196	- %	\$ 368,513	172 %
3/31/14	-	660,905	660,905	-	370,965	178

Additional actuarial data is not available and will be provided in subsequent years.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 22, 2014

Township Board  
Laketon Township  
North Muskegon, Michigan

In planning and performing our audit of the financial statements of Laketon 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 Laketon Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 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. We consider the attached deficiency in Laketon Township's internal control to be a material weakness.

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

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

*Brickley De Long, P.C.*

## **MATERIAL WEAKNESS**

Recommendation 1: The year-end financial statement closing procedures should be improved.

During our year-end substantive tests, we noted that certain financial statement account balances were not reconciled to supporting schedules or analyzed for unusual balances during the year, thus causing a significant number of adjustments at year end.

The Township should review its procedures surrounding the reconciliation of financial statement account balances to supporting schedules or documentation. This would improve the accuracy of year-end and interim financial statements. In addition, the Township should look for opportunities to better utilize its BS & A software to record payables, prepare Forms 941, and other areas that can be automated to improve the accuracy of its interim and year-end account balances.

## **SIGNIFICANT DEFICIENCY**

Recommendation 2: The internal controls surrounding the preparation of formal year-end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal controls related to the preparation and review of the formal year-end financial statements.

The Township should review its procedures surrounding the preparation of year-end financial statements to include the appointment of an individual with the requisite skills and experience to review the formal year-end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 22, 2014

To the Township Board  
Laketon Township

We have audited the financial statements of Laketon Township for the year ended March 31, 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 to you during our conference on May 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 Laketon Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 estimates affecting Laketon Township's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment benefits liability (OPEB) is based on average life expectancies, age of retirement, net return of invested assets, and expected future healthcare costs. We evaluated the key factors and assumptions used to develop the OPEB liability estimate in determining that it is 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 significant difficulties in dealing with management in performing and completing our audit.

## BRICKLEY DELONG

Township Board  
Laketon Township  
July 22, 2014  
Page 2

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Accrued interest for the wastewater bonds was adjusted by \$3,750.
2. Accrued payroll of \$7,545 was recorded.
3. Prior year unbilled receivables in the Sewer Fund of \$100,996 were reversed and current year unbilled receivables in the Sewer Fund of \$125,275 were recorded.
4. Prior year receivable for Muskegon Township agreement of \$6,328 was reversed.
5. Current year payables were recorded in the General Fund for \$20,489 and in the Sewer Fund for \$27,385.
6. To reallocate wages between funds.
7. The 2013 tax settlement receivable was recorded resulting in a increase in revenue of \$14,287 in the General Fund, \$21,002 in the Public Safety Fund and \$28,906 in the Sewer Fund.
8. An entry to remove taxes receivable setup by BS&A for Sewer amounts that went on taxes was recorded in the amount of \$52,493.
9. Depreciation in the amount of \$361,363 was recorded in the Sewer Fund.
10. Capital additions of \$10,000 were reclassified to fixed assets in the Sewer Fund.
11. Current year assessment activity was adjusted by \$115,490 in the Sewer Fund.
12. State grant revenue was reclassified from reimbursements in the amount of \$205,220.
13. State grant revenue and a related receivable was recorded in the amount of \$101,731.
14. Expenses related to the tire grant were reclassified from reimbursements in the amount of \$6,675.
15. Funds held for the football association were reclassified from reimbursements to payables in the amount of \$36,563.

### *Disagreements with Management*

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

BRICKLEY DELONG

Township Board  
Laketon Township  
July 22, 2014  
Page 3

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 22, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity 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 Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Sincerely,

*Brickley De Long, P.C.*