



# **FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**Year Ended December 31, 2013**

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# Sheridan Charter Township

Newaygo County, Michigan

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December 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Township Board as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### *Auditor's Responsibility*

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Township Board, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Township Board  
Sheridan Charter Township  
Newaygo County, Michigan

## **Other Matters**

### **Required Supplementary Information**

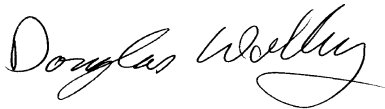
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 35–36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
April 22, 2014

# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Township's combined net position decreased 2.1% from a year ago, decreasing from \$1,636,759 to \$1,602,710. The Township experienced an increase in Governmental expenses and an increase in Governmental revenues from the previous year.

Governmental revenues and expenses in 2013 are higher than in 2012 because in 2013 the Township began levying a special assessment to control aquatic growth in Fremont Lake. In addition, more road work was performed in 2013 than in 2012.

The Township is jointly working with Dayton Township and the City of Fremont on a bike path that will eventually encircle Fremont Lake connecting all three entities.

In a condensed format, the table below shows a comparison of the net position as of December 31, 2013 to the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 730,916	\$ 761,343	\$ 189,962	\$ 160,888	\$ 920,878	\$ 922,231
Capital assets	190,418	205,075	807,861	862,532	998,279	1,067,607
Total assets	921,334	966,418	997,823	1,023,420	1,919,157	1,989,838
Deferred outflows of resources:						
Deferred charges on refunding	-	-	12,691	-	12,691	-
Liabilities:						
Long-term liabilities	-	-	320,000	340,000	320,000	340,000
Other liabilities	2,045	5,999	7,093	7,080	9,138	13,079
Total liabilities	2,045	5,999	327,093	347,080	329,138	353,079
Net position						
Invested in capital assets, net of related debt	190,418	205,075	487,861	522,532	678,279	727,607
Restricted	-	-	3,014	3,013	3,014	3,013
Unrestricted	728,871	755,344	192,546	150,795	921,417	906,139
Total net position	\$ 919,289	\$ 960,419	\$ 683,421	\$ 676,340	\$ 1,602,710	\$ 1,636,759

Unrestricted net position, the part of net position that can be used to finance day to day operations, increased by \$15,278 for the total governmental activities. This represents an increase in unrestricted net position of approximately 2%. The current level of unrestricted net position for our governmental activities stands at \$921,417, or about 174% of expenses. This is within the targeted range set by the Township Board during its last budget process.

# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

The following table shows the changes of the net position as of December 31, 2013 to the prior year:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 106,807	\$ 33,246	\$ 114,315	\$ 113,833	\$ 221,122	\$ 147,079
General revenues						
Property taxes	77,607	101,264	-	-	77,607	101,264
State-shared revenues	190,950	185,946	-	-	190,950	185,946
Investment income	587	669	23	21	610	690
Miscellaneous	6,068	11,907	-	-	6,068	11,907
<b>Total revenues</b>	<b>382,019</b>	<b>333,032</b>	<b>114,338</b>	<b>113,854</b>	<b>496,357</b>	<b>446,886</b>
Program expenses						
General government	124,099	123,994	-	-	124,099	123,994
Public safety	65,605	62,165	-	-	65,605	62,165
Public works	120,179	25,017	-	-	120,179	25,017
Community and economic development	14,406	22,199	-	-	14,406	22,199
Recreation and culture	98,860	8,052	-	-	98,860	8,052
Sewer	-	-	107,257	100,873	107,257	100,873
<b>Total expenses</b>	<b>423,149</b>	<b>241,427</b>	<b>107,257</b>	<b>100,873</b>	<b>530,406</b>	<b>342,300</b>
Change in net position	(41,130)	91,605	7,081	12,981	(34,049)	104,586
Net position, beginning	960,419	868,814	676,340	663,359	1,636,759	1,532,173
<b>Net position, ending</b>	<b>\$ 919,289</b>	<b>\$ 960,419</b>	<b>\$ 683,421</b>	<b>\$ 676,340</b>	<b>\$ 1,602,710</b>	<b>\$ 1,636,759</b>

### Governmental Activities

Expenses increased by \$181,722 from the previous year. This is largely explained by increased expenditures for road maintenance and improvements and the costs of the project to control aquatic growth in Fremont Lake. General Fund actual revenues exceeded budgeted revenues by \$60,520 or 19%. General Fund actual expenditures were less than budgeted expenditures by \$112,047, or 21.5%. This variance resulted primarily from lower than expected expenditures for the Township Board, elections, buildings and grounds, public safety, public works and planning.

### Business-type Activities

The Township's business-type activities consist of the Sewer Fund. The Township provides sewage treatment to its residents. Expenses were higher than the previous year due to higher payments made to the City of Fremont for sewage treatment services.



# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

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### The Township's Funds

Our analysis of the Township's major funds begins on page 12, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2013 were the General Fund and the Sewer Fund.

### Capital Asset and Debt Administration

At the end of 2013, the Township's governmental funds had \$190,418 (net of accumulated depreciation) invested in various assets, including land, buildings, and furniture and equipment; and \$807,861 invested in the sewer system. To pay for the capital improvements and sewer capital assets, the Township entered into a debt obligation with current outstanding balance totaling \$320,000.

### Economic Factors and Next Year's Budgets and Rates

The Township's management does not expect the Township's budget for 2014 to change significantly from its 2013 budget as no new projects are being considered.

### Fremont Lake Special Assessment

The Township, along with the City of Fremont, has begun to levy a special assessment on properties fronting Fremont Lake to provide funding to control aquatic nuisance growth in the lake. The Township and the City are working with the Fremont Lake Association in this project. The goal of controlling the growth is to provide for better fishing and more tourism.

### 56th Street Rebuilding

The Township, working with the Newaygo County Road Commission, rebuilt 56th Street from Warner Street to the City limits of Fremont. The improvement includes three foot bike paths on each side of the 56th Street.

### Bike Path

Sheridan Charter Township in cooperation with the City of Fremont and Dayton Township will continue to work to complete the bike path around Fremont Lake.

# SHERIDAN CHARTER TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2013

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### Capital Improvement Plan

The Township is working on a Capital Improvement Plan that will provide guidance for Board decisions and help to inform its citizens of the Township's direction.

### Parks and Recreation

The City of Fremont, Dayton Township and Sheridan Charter Township continue to work on extending the non-motorized path. The length of the path currently is about five miles. When completed, it will be about 22 miles long.

The joint recreation plan between the City of Fremont, Dayton Township and Sheridan Charter Township include the following projects:

- ◆ Path around Fremont Lake
- ◆ Township Playground
- ◆ Refuge Bike Path
- ◆ Skate Board Park
- ◆ All-Purpose Court (ice skating, basketball and rollerskating)

### Intergovernmental Cooperation

Joint cooperative efforts between the City of Fremont, Dayton Township and Sheridan Charter Township continue to produce improvements and opportunities for the citizens of the area.

### Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's Supervisor, Clerk or Treasurer. The Township's phone number is (231) 924-2566.

## **BASIC FINANCIAL STATEMENTS**

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# Sheridan Charter Township

Newaygo County, Michigan

## Statement of Net Position

December 31, 2013

	Governmental activities	Business-type activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 545,881	\$ 141,983	\$ 687,864
Receivables, net	185,035	44,965	230,000
Assets restricted by bond indentures	-	3,014	3,014
Capital assets, net of accumulated depreciation	190,418	807,861	998,279
Total assets	921,334	997,823	1,919,157
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	-	12,691	12,691
<b>LIABILITIES</b>			
Accounts payable	2,045	7,093	9,138
Long-term liabilities			
Due within one year	-	20,000	20,000
Due in more than one year	-	300,000	300,000
Total liabilities	2,045	327,093	329,138
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	190,418	487,861	678,279
Restricted for debt service	-	3,014	3,014
Unrestricted	728,871	192,546	921,417
Total net position	\$ 919,289	\$ 683,421	\$ 1,602,710

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Statement of Activities

For the year ended December 31, 2013

Functions/Programs	Expenses	Program Revenues
		Charges for services
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 124,099	\$ 53,753
Public safety	65,605	-
Public works	120,179	2,047
Community and economic development	14,406	-
Recreation and culture	98,860	51,007
Total governmental activities	423,149	106,807
Business-type activities:		
Sewer	107,257	114,315
Total primary government	\$ 530,406	\$ 221,122
General revenues:		
Property taxes		
State-shared revenues		
Unrestricted investment income		
Miscellaneous		
Total general revenues		
Change in net position		
Net position-beginning		
Net position-ending		

The Notes to the Financial Statements are an integral part of this statement.

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Governmental activities</b>	<b>Business-type activities</b>		<b>Total</b>
\$ (70,346)	\$ -	\$	(70,346)
(65,605)	-		(65,605)
(118,132)	-		(118,132)
(14,406)	-		(14,406)
(47,853)	-		(47,853)
(316,342)	-		(316,342)
	7,058		7,058
(316,342)	7,058		(309,284)
77,607	-		77,607
190,950	-		190,950
587	23		610
6,068	-		6,068
275,212	23		275,235
(41,130)	7,081		(34,049)
960,419	676,340		1,636,759
\$ 919,289	\$ 683,421	\$	1,602,710

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Governmental Funds

### Balance Sheet

December 31, 2013

General Fund	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 492,826
Investments	53,055
Taxes receivable	99,044
Due from other units of government	32,938
Special assessments receivable	53,054
Total assets	\$ 730,917
<b>LIABILITIES</b>	
Accounts payable	\$ 2,045
<b>FUND BALANCES</b>	
Unassigned	728,872
Total liabilities and fund balances	\$ 730,917

The Notes to the Financial Statements are an integral part of this statement.



# Sheridan Charter Township

Newaygo County, Michigan

## Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position

December 31, 2013

<hr/>		
Total fund balances - total governmental funds	\$	728,872
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.		190,417
Net position of governmental activities	\$	919,289
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The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended December 31, 2013

<b>General Fund</b>	
<b>REVENUES</b>	
Property taxes	\$ 103,803
State grants	190,950
Licenses and permits	25,169
Charges for services	1,535
Interest and rentals	2,977
Other revenue	57,586
<b>Total revenues</b>	<b>382,020</b>
<b>EXPENDITURES</b>	
Current:	
General government	110,973
Public safety	65,605
Public works	119,946
Economic development	14,406
Recreation and culture	91,538
Other	6,023
<b>Total expenditures</b>	<b>408,491</b>
Net change in fund balance	(26,471)
<b>Fund balances-beginning</b>	<b>755,343</b>
<b>Fund balances-ending</b>	<b>\$ 728,872</b>

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

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

For the year ended December 31, 2013

Net change in fund balances - total governmental funds	\$	(26,471)
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Amounts reported for governmental activities in the Statement of Activities are different because

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

Depreciation expense	(14,659)
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Change in net position of governmental activities	\$	(41,130)
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The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Proprietary Fund

Statement of Net Position

December 31, 2013

Sewer Fund	
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 141,983
Accounts receivable	32,934
Due from other units of government	12,031
Total current assets	186,948
Noncurrent assets:	
Restricted cash	3,014
Capital assets, net of accumulated depreciation	807,861
Total noncurrent assets	810,875
Total assets	997,823
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	12,691
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	7,093
Bonds payable due within one year	20,000
Total current liabilities	27,093
Noncurrent liabilities:	
Bonds payable - due in more than one year	300,000
Total liabilities	327,093
<b>NET POSITION</b>	
Net investment in capital assets	487,861
Restricted	3,014
Unrestricted	192,546
Total net position	\$ 683,421

# Sheridan Charter Township

Newaygo County, Michigan

## Proprietary Fund

### Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2013

	Sewer Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 112,112
Fees	2,203
<b>Total operating revenue</b>	<b>114,315</b>
<b>OPERATING EXPENSES</b>	
Salaries	1,088
Payroll taxes	83
Supplies	279
Contractual services	31,606
Utilities	2,977
Depreciation	54,671
<b>Total operating expenses</b>	<b>90,704</b>
<b>Operating income (loss)</b>	<b>23,611</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest on investments	23
Interest expense	(16,553)
<b>Total nonoperating revenues (expenses)</b>	<b>(16,530)</b>
<b>Change in net position</b>	<b>7,081</b>
<b>Net position-beginning</b>	<b>676,340</b>
<b>Net position-ending</b>	<b>\$ 683,421</b>

# Sheridan Charter Township

Newaygo County, Michigan

Proprietary Fund

## Statement of Cash Flows

For the year ended December 31, 2013

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### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	112,234
Payments to suppliers		(34,849)
Payments to employees		(1,171)
Amortization		1,865
Net cash provided (used) by operating activities		78,079

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal and interest paid on capital debt		(36,553)
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### CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends		23
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Net increase (decrease) in cash and cash equivalents 41,549

Cash and cash equivalents January 1 (including \$3,013 reported in restricted accounts) 103,448

Cash and cash equivalents December 31 (including \$3,014 reported in restricted accounts) \$ 144,997

### Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	\$	23,611
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		54,671
(Increase) decrease in accounts receivable		(2,081)
(Decrease) increase in accounts payable		13
Decrease (increase) in deferred charges on refunding of debt		1,865
Net cash provided (used) by operating activities	\$	78,079

The Notes to the Financial Statements are an integral part of this statement.

# Sheridan Charter Township

Newaygo County, Michigan

Fiduciary Funds

Statement of Net Position

December 31, 2013

<b>Agency Fund Type</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$	125,911
<b>LIABILITIES</b>		
Undistributed taxes	\$	125,911

The Notes to the Financial Statements are an integral part of this statement.

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## **NOTES TO FINANCIAL STATEMENTS**

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# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

Sheridan Charter Township is located in Newaygo County and provides services to its residents in many areas including: public works and general government. The Township is governed by an elected seven-member Board.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the Township (the primary government). The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

#### Joint Ventures

Fremont Community Joint Planning Commission (Planning Commission) - The Township entered into an agreement with one local township and a city to form a joint planning commission to cooperate on planning and zoning issues by jointly planning for land use and jointly exercising zoning powers. During the year the Township made no contributions to the Planning Commission.

Fremont Community Recreational Authority (Recreation Authority) - The Township entered into an agreement with two local townships and a city to form a recreational authority for the purpose of the acquisition, construction, operation, maintenance, or improvement of public recreation centers, public parks, and recreation facilities. During the year the Township paid \$3,100 for participation in the Recreation Authority.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Sheridan Charter Township's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Sheridan Charter Township as of the preceding December 31st.

Although Sheridan Charter Township's 2013 ad valorem tax is levied and collectible on December 1, 2013, it is Sheridan Charter Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 taxable valuation of Sheridan Charter Township totaled \$80,771,509, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	0.9020	\$ 72,856

This amount is recognized in the General Fund financial statements as taxes receivable.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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The Township reports the following major governmental fund:

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 government reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the sewage collection system.

Additionally, the government reports the following fund type:

Trust and agency fund to account for property tax collected on behalf of other governmental units.

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

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

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 revenue for proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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

Bank Deposits and Investments--For the purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less, when acquired, are considered to be cash equivalents. The statement of cash flows includes both restricted and unrestricted cash. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value.

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

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

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Buildings	40 to 60 years
Building improvements	15 to 30 years
Land improvements	15 to 20 years
Sewer infrastructure	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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**Long-Term Obligations**--In the government-wide financial statements and the proprietary fund type statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Use of Estimates**--The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Net Position and Fund Equity**--The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Position is classified as "Invested in Capital Assets, Net of Related Debt," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**--Amounts that cannot be spent either because they are a) not in a spendable form or; b) legally or contractually required to be maintained intact.
- **Restricted**--Amounts with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- **Committed**--Amounts that can be used only for specific purpose determined by a formal action by Board ordinance or resolution, and that remain binding unless removed in the same manner.
- **Assigned**--Amounts neither restricted nor committed for which a government has a stated intended use as established by the Board or a body or official to which the Board has delegated the authority to assign amounts for specific purposes.
- **Unassigned**--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

**Use of Restricted Resources**--When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Township's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Township's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balance.

**Comparative Data/Reclassifications**--Comparative total data for the prior year have been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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### **NOTE 2-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before September 1, the Township supervisor submits to the Board a proposed operating budget for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the Township hall to obtain taxpayer comments.

On or before November 1, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Budgeted amounts are presented as originally adopted, or as amended by the Township Board before December 31.

Budgets as presented for the General Fund is prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

The Township legally adopts a budget for the General Fund.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Township Board.

The legal level of control is at the activity level of the General Fund.

The Township Clerk is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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

	Budget Appropriation	Actual Expenditure
General Fund		
Supervisor	\$ 14,090	\$ 14,272
Information technology	5,000	5,271
Building inspection	13,000	13,062

### NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Sheridan Charter Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

Deposit and investment type	Governmental activities	Business-type activities	Trust and Agency Fund	Total
Cash and cash equivalents	\$ 492,826	\$ 141,983	\$ 125,911	\$ 760,720
Investments	53,055	-	-	53,055
Restricted cash	-	3,014	-	3,014
Total	\$ 545,881	\$ 144,997	\$ 125,911	\$ 816,789

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Township's deposits may not be recovered. The Township does not have a deposit policy for custodial credit risk. At the year end, the bank balance of the Township's deposits is \$961,466, of which \$530,359 is covered by federal depository insurance. The remaining \$431,107 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

### **NOTE 4 - RECEIVABLES**

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

<b>Receivable type</b>	<b>General Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Taxes receivable	\$ 99,044	\$ -	\$ 99,044
Special assessment	53,054	-	53,054
Accounts receivable	-	32,943	32,943
Due from other government units	32,938	12,031	44,969
Net Receivables	\$ 185,036	\$ 44,974	\$ 230,010

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

### **NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the for the year ended December 31, 2013, was as follows:

Governmental activities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets being depreciated:				
Buildings	233,427	-	-	233,427
Building improvements	6,735	-	-	6,735
Furniture and equipment	8,311	-	-	8,311
Land improvements	101,993	-	-	101,993
<b>Total capital assets being depreciated</b>	<b>350,466</b>	<b>-</b>	<b>-</b>	<b>350,466</b>
Less accumulated depreciation for:				
Buildings	131,135	6,098	-	137,233
Building improvements	1,796	449	-	2,245
Furniture and equipment	2,770	554	-	3,324
Land improvements	29,690	7,556	-	37,246
<b>Total accumulated depreciation</b>	<b>165,391</b>	<b>14,657</b>	<b>-</b>	<b>180,048</b>
<b>Total capital assets being depreciated, net</b>	<b>185,075</b>	<b>(14,657)</b>	<b>-</b>	<b>170,418</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 205,075</b>	<b>\$ (14,657)</b>	<b>\$ -</b>	<b>\$ 190,418</b>

Depreciation expense was charged to programs of the governmental activities as follows:

Governmental activities:

General government	\$ 7,101
Public works	234
Recreation	7,322
<b>Total governmental activities</b>	<b>\$ 14,657</b>

Business-type activities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Sewer mains	\$ 1,873,723	\$ -	\$ -	\$ 1,873,723
Less accumulated depreciation for:				
Sewer mains	1,011,191	54,671	-	1,065,862
<b>Business-type activities capital assets, net</b>	<b>\$ 862,532</b>	<b>\$ (54,671)</b>	<b>\$ -</b>	<b>\$ 807,861</b>

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

### **NOTE 6 - LONG-TERM DEBT**

The long-term debt of the Township, for the year ended December 31, 2013, may be summarized as follows:

Business-type activities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
\$470,000 2005 General Obligation Bonds - Due in annual installments of \$20,000 to \$35,000 plus interest at 3.70% to 4.60% through October 1, 2025	\$ 340,000	\$ -	\$ 20,000	\$ 320,000	\$ 20,000

The annual requirements to pay the principal and interest on the Township's long-term debt obligations outstanding at December 31, 2013, are as follows:

Business-type activities:

December 31,	Principal	Interest	Total
2014	\$ 20,000	\$ 13,928	\$ 33,928
2015	20,000	13,148	33,148
2016	25,000	12,348	37,348
2017	25,000	11,322	36,322
2018	25,000	10,272	35,272
2019	25,000	9,198	34,198
2020	25,000	8,110	33,110
2021	30,000	7,010	37,010
2022	30,000	5,676	35,676
2023	30,000	4,326	34,326
2024	30,000	2,976	32,976
2025	35,000	1,610	36,610
Totals	\$ 320,000	\$ 99,924	\$ 419,924

Total interest cost paid during the year was \$15,428.

# Sheridan Charter Township

Newaygo County, Michigan

## Notes to Financial Statements

For the year ended December 31, 2013

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### **NOTE 7 - RESTRICTED ASSETS**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Bond reserve	\$	3,014
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### **NOTE 8 - RISK MANAGEMENT**

Sheridan Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Sheridan Charter Township has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS**

The Township has no postemployment benefit plans.

### **NOTE 10 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

#### Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The adoption of GASB 65 has only minimal impact on the Township's financial statements.

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement is effective for periods beginning after December 15, 2012 although the Township elected to early implement Statement 62 in fiscal year 2012. The adoption of GASB 66 does not have any impact on the Township's financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

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# Sheridan Charter Township

Newaygo County, Michigan

General Fund

## Budgetary Comparison Schedule

For the year ended December 31, 2013 with comparative amounts for 2012

	Original budget	Final amended budget	Actual	Variance with final budget	2012
<b>REVENUES</b>					
Property taxes:					
Current property taxes	\$ 85,000	\$ 85,000	\$ 77,609	\$ (7,391)	\$ 75,771
Property tax administration fee	24,000	24,000	26,194	2,194	25,493
Total property taxes	109,000	109,000	103,803	(5,197)	101,264
State grants:					
State revenue sharing	166,000	166,000	186,779	20,779	181,790
Other state grants	-	-	4,171	4,171	4,156
Total state grants	166,000	166,000	190,950	24,950	185,946
Licenses and permits:					
Business licenses and permits	-	-	10,117	10,117	9,834
Non-business licenses and permits	12,500	12,500	15,052	2,552	13,513
Total licenses and permits	12,500	12,500	25,169	12,669	23,347
Fines and forfeitures:					
Fines and forfeitures	100	100	-	(100)	-
Charges for services:					
Charges for services	10,100	10,100	1,535	(8,565)	9,899
Sales	100	100	-	(100)	-
Total charges for services	10,200	10,200	1,535	(8,665)	9,899
Interest and rentals:					
Interest on investments	1,000	1,000	587	(413)	669
Rent	1,600	1,600	2,390	790	2,550
Total interest and rentals	2,600	2,600	2,977	377	3,219
Other revenue:					
Special assessments	2,000	2,000	53,054	51,054	1,943
Contributions and donations	100	100	-	(100)	-
Reimbursements	19,000	19,000	4,426	(14,574)	7,104
Refunds	-	-	106	106	310
Total other revenue	21,100	21,100	57,586	36,486	9,357
Total Revenues	321,500	321,500	382,020	60,520	333,032

# Sheridan Charter Township

Newaygo County, Michigan

General Fund

## Budgetary Comparison Schedule

For the year ended December 31, 2013 with comparative amounts for 2012

	Original budget	Final amended budget	Actual	Variance with final budget	2012
<b>EXPENDITURES</b>					
Current:					
General government					
Township board	\$ 17,020	\$ 17,020	\$ 10,622	\$ 6,398	\$ 8,264
Supervisor	14,090	14,090	14,272	(182)	13,600
Clerk	18,490	18,490	16,491	1,999	15,162
Information technology	5,000	5,000	5,271	(271)	3,870
Board of review	2,080	2,080	1,323	757	1,431
Treasurer	19,325	19,325	17,486	1,839	16,323
Assessor	19,400	19,400	19,346	54	19,413
Elections	6,000	6,000	1,992	4,008	11,205
Buildings and grounds	31,400	31,400	22,870	8,530	20,396
Cemetery	1,500	1,500	1,300	200	1,300
Total general government	134,305	134,305	110,973	23,332	110,964
Public safety					
Fire department	58,000	58,000	52,543	5,457	52,325
Building inspection department	10,000	13,000	13,062	(62)	9,840
Total public safety	68,000	71,000	65,605	5,395	62,165
Public works					
Drains	3,300	4,933	2,045	2,888	8,162
Highway, streets and bridges	40,500	143,500	114,228	29,272	12,190
Street lighting	5,300	5,300	3,673	1,627	4,431
Total public works	49,100	153,733	119,946	33,787	24,783
Community and economic development					
Planning	45,900	45,900	14,406	31,494	22,199

# Sheridan Charter Township

Newaygo County, Michigan

General Fund

## Budgetary Comparison Schedule

For the year ended December 31, 2013 with comparative amounts for 2012

	Original budget	Final amended budget	Actual	Variance with final budget	2012
Recreation and culture					
Parks and recreation department	\$ 7,000	\$ 107,000	\$ 91,538	\$ 15,462	\$ 25,730
Township Forest	1,000	1,000	-	1,000	-
Total recreation and culture	8,000	108,000	91,538	16,462	25,730
Other governmental functions	7,600	7,600	6,023	1,577	5,930
Total expenditures	312,905	520,538	408,491	112,047	251,771
Net change in fund balances	8,595	(199,038)	(26,471)	172,567	81,261
Fund balances-beginning	755,343	755,343	755,343	-	674,082
Fund balances-ending	\$ 763,938	\$ 556,305	\$ 728,872	\$ 172,567	\$ 755,343



## AUDITORS' REPORTS

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## AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS WITH THOSE CHARGED WITH GOVERNANCE

April 22, 2014

To the Township Board  
Sheridan Charter Township

We have audited the financial statements of the governmental activities and the major fund information of Sheridan Charter Township for the year ended December 31, 2013. 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 February 14, 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 Sheridan Charter Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit 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 estimate affecting the basic financial statements was:

Management's estimate of the lives of capital assets is based on management's experience and estimates. We evaluated the key factors and assumptions used to develop the lives of the capital assets 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.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## AUDITORS' COMMUNICATION OF SIGNIFICANT MATTERS WITH THOSE CHARGED WITH GOVERNANCE (continued)

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 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 governmental unit'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 Audit Findings or Issues*

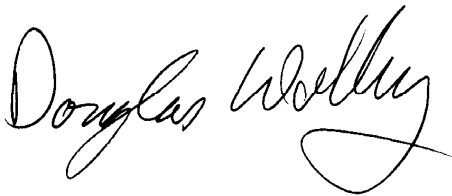
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Douglas Wohlberg". The signature is fluid and cursive, with a large, stylized "D" and "W".

Douglas Wohlberg, CPA  
Byron Center, Michigan

# Sheridan Charter Township

Newaygo County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2013

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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 Township's financial statements will not be prevented, or detected and corrected on a timely basis.

The Township is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material weaknesses listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

### MATERIAL WEAKNESSES

#### Finding 2010-1

##### Preparation of Financial Statements in Accordance With GAAP

*Condition:* As many small and medium-sized governmental entities do, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the Township'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 to be a part of the Township's internal controls.

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

*Cause:* This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Township personnel to prepare them internally.

*Effect:* The Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

*Recommendation:* We recommend that the Township Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Township to outsource this duty to its external auditors. If the Township continues to rely on its external auditors to prepare the financial statements, we recommend that the Township Board designate a responsible Township official to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

*Management's Response-Corrective Action Plan:* It would not be cost effective for the Township to hire staff with GAAP financial qualifications.

# Sheridan Charter Township

Newaygo County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2013

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### MATERIAL WEAKNESSES

Finding 2010-2

Capital Assets

*Condition:* The Township does not maintain adequate internal controls for capital assets and a capital asset listing is not maintained in accordance with generally accepted accounting principles. The balances reported in the Township's audit report are maintained by the Township's auditor.

*Criteria:* It is the responsibility of the Township to update the capital assets listing for additions and deletions. For the governmental funds, assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. For the enterprise funds, assets purchased during the year should be recorded as increases in the capital asset account and not as an expense. Depreciation expense is also to be recorded for the enterprise funds. Depreciation for governmental capital assets should be recorded on the capital asset schedule. Disposals should equal the reductions to the capital asset records.

*Cause:* The Township has relied upon its auditors to update and maintain the listing.

*Effect:* The Township cannot readily determine or value the assets owned by the Township.

*Recommendation:* We recommend that the Township implement procedures to record the assets and depreciation expense as listed above.

*Management's Response-Corrective Action Plan:* The Township will begin to work with the auditors to learn how to maintain the balances going forward.

*Resolution:* Township have taken substantial responsibility for the accounting for capital assets.

# Sheridan Charter Township

Newaygo County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2013

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### MATERIAL WEAKNESSES

Finding 2010-3

Accruals

*Condition:* Accruals (accounts receivable and accounts payable), the recording of the revenues and expenses in the accounting period to which they relate, were not recorded.

*Criteria:* Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts receivable and accounts payable be established to properly match the fiscal year's revenues and expenses. Enterprise funds are to be maintained on a full accrual basis of accounting.

*Cause:* The Township personnel have relied upon its auditors to record the accruals.

*Effect:* The corresponding revenue and expense accounts were misstated.

*Recommendation:* We recommend that the Township record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective general ledger accounts.

*Management's Response-Corrective Action Plan:* We are working with the auditor to be able to record the accruals in the future.

# Sheridan Charter Township

Newaygo County, Michigan

## Schedule of Findings and Responses

For the year ended December 31, 2013

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### NONCOMPLIANCE WITH STATE STATUTES

Finding 2013-1

Expenditures in Excess of Appropriations

*Condition:* The Township's 2013 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the Township. As detailed below, actual 2013 expenditures exceeded the Township Board's approved budget allocations for several general fund activities.

During the fiscal year ended December 31, 2013, expenditures were incurred in excess of amounts appropriated follows:

Fund, Function and Activity	Budget	Actual	Excess Expenditures
General Fund			
Supervisor	\$ 14,090	\$ 14,272	\$ 182
Information technology	5,000	5,271	271
Building inspection	13,000	13,062	62

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Effect:* The Township is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

*Recommendation:* We direct that the Township develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

*Management's Response-Corrective Action Plan:* The Township will more frequently review available funds and amend the budgets.