

TOWNSHIP OF ONTWA
CASS COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2014

**TOWNSHIP OF ONTWA
Township Board Members
March 31, 2014**

TOWNSHIP BOARD

John Brielmaier	Supervisor
Paula Ralph	Clerk
Meryl Christensen	Treasurer
Jerry Duck	Trustee
Norman Krupp	Trustee
Jerry Marchetti	Trustee
Nathan Brousseau	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Township of Ontwa, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Change in Accounting Principle

As described in Note 13 to the financial statements, the Township adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Schaffer & Layher, PLLC
August 28, 2014

Using this Annual Report

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

Financial Highlights

The Township's combined net position decreased 2.1% from a year ago—decreasing from \$11,532,929 (after prior period adjustment) to \$11,293,396. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of \$15,942 during the year, while the business-type activities experienced a decrease in net position of \$255,475.

Overview of the Financial Statements

This report consists of three parts---*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

Government-wide Statements, Concluded

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. public safety monies) or to show that it is properly using certain taxes and grants (i.e. debt service monies).

The Township has the following three kinds of funds:

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

Financial Analysis of the Township as a Whole

The Township's combined net position was \$11,293,396. In a condensed format the following table below shows a breakdown of net position as of March 31, 2014 and 2013:

At March 31, 2014, unrestricted net position—the part of net position that can be used to finance day to day operations, was \$834,456 for the governmental activities. The current level of unrestricted net position for business – type activities stands at \$1,665,908.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current Assets	\$ 598,987	\$ 731,373	\$ 2,125,620	\$ 2,435,692	\$ 2,724,607	\$ 3,167,065
Noncurrent Assets	1,015,166	860,568	11,826,172	12,231,693	12,841,338	13,092,261
Total Assets	\$ 1,614,153	\$ 1,591,941	\$ 13,951,792	\$ 14,667,385	\$ 15,565,945	\$ 16,259,326
Current Liabilities	\$ 54,045	\$ 47,775	\$ 801,016	\$ 661,830	\$ 855,061	\$ 709,605
Noncurrent Liabilities	-	-	3,417,488	4,016,792	3,417,488	4,016,792
Total Liabilities	\$ 54,045	\$ 47,775	\$ 4,218,504	\$ 4,678,622	\$ 4,272,549	\$ 4,726,397
Net Position:						
Net Investment in						
Capital Assets	\$ 676,826	\$ 724,167	\$ 4,999,615	\$ 4,589,285	\$ 5,676,441	\$ 5,313,452
Restricted	48,826	45,659	3,067,765	3,394,275	3,116,591	3,439,934
Unrestricted	834,456	774,340	1,665,908	2,005,203	2,500,364	2,779,543
Total Net Position	\$ 1,560,108	\$ 1,544,166	\$ 9,733,288	\$ 9,988,763	\$ 11,293,396	\$ 11,532,929

Financial Analysis of the Township as a Whole, Concluded

The following table shows the change in net position for the years ended March 31, 2014 and 2013:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 71,941	\$ 56,764	\$ 936,115	\$ 1,224,077	\$ 1,008,056	\$ 1,280,841
General Revenues						
Property Taxes	1,062,308	1,090,163	-	-	1,062,308	1,090,163
State Shared Revenues	393,257	385,724	-	-	393,257	385,724
Investment Earnings	5,415	1,325	133,137	135,842	138,552	137,167
Franchise Fees	63,685	57,675	-	-	63,685	57,675
Administration Fees	8,878	11,407	-	-	8,878	11,407
Other Revenue	17,353	19,306	-	-	17,353	19,306
Total Revenues	<u>\$ 1,622,837</u>	<u>\$ 1,622,364</u>	<u>\$ 1,069,252</u>	<u>\$ 1,359,919</u>	<u>\$ 2,692,089</u>	<u>\$ 2,982,283</u>
Program Expenses						
General Government	\$ 278,647	\$ 278,845	\$ -	\$ -	\$ 278,647	\$ 278,845
Public Safety	1,121,702	1,104,967	-	-	1,121,702	1,104,967
Public Works	149,055	115,178	-	-	149,055	115,178
Recreation and Culture	520	545	-	-	520	545
Community and Economic Development	9,630	8,386	-	-	9,630	8,386
Depreciation	47,341	47,341	-	-	47,341	47,341
Sewer	-	-	1,324,727	1,495,975	1,324,727	1,495,975
Total Expenses	<u>\$ 1,606,895</u>	<u>\$ 1,555,262</u>	<u>\$ 1,324,727</u>	<u>\$ 1,495,975</u>	<u>\$ 2,931,622</u>	<u>\$ 3,051,237</u>
Change in Net Position	<u>\$ 15,942</u>	<u>\$ 67,102</u>	<u>\$ (255,475)</u>	<u>\$ (136,056)</u>	<u>\$ (239,533)</u>	<u>\$ (68,954)</u>

Governmental Activities

The Township's total governmental revenues remained relatively consistent with the prior year, increasing only \$473 from prior year, or less than 0.1%. The Township's total governmental expenses increased \$51,633 from prior year. This was primarily the result of two issues: 1.) there was an increase of \$25,807 of costs associated with the Township's portion of road repair contracts with Cass County; 2.) the Township provided \$28,702 of additional funding to Edwardsburg Ambulance Service during 2013 to help fund equipment purchases and operating costs.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. In 2014, total revenues decreased by \$290,667 primarily as a result of a one-time charge totaling \$219,450 received only in the prior year as a result of the capacity expansion for Granger Service Area. Business-type expenses decreased by \$171,248 primarily a result of a one-time charge totaling \$314,000 paid in the prior year to the City of Elkhart as a result of the capacity expansion for Granger Service Area. This was offset by the increased costs of chemical purchases of approximately \$40,000 and an increase in water treatment costs paid to Elkhart Public Utilities of \$146,504.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-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 millage. The Township's major funds for 2014 included the General Fund, Police Fund, Fire/Ambulance Fund, and Sewer Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, public works and other. The most significant is general government, which incurred expenditures of \$278,647 in 2014. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. There was one budget amendment made during 2014.

Capital Asset and Debt Administration

At the end of March 31, 2014, the Township had investment in capital assets for its governmental and business-type activities of \$9,693,233 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively, in accordance with GASB Statement No. 34.

During fiscal year 2014, the Township had one capital addition totaling \$38,000. The Township purchased storage tanks that will be utilized to store various chemicals purchased for its wastewater activities. This purchase of this equipment was directly financed by the vendor and is expected to be paid in full during fiscal 2015. As of March 31, 2014, \$28,368 is still due to the vendor and is included in accounts payable on the government-wide and Sewer Fund statements of net position.

Long-Term Debt

The Township continued to make scheduled payments on its outstanding long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates expenditures over revenues in the general fund and the business-type activity funds will attempt to have positive cash flows.

Contacting the Township's Management

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

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 529,538	\$ 1,824,421	\$ 2,353,959
Accounts Receivable, Net	69,449	43,199	112,648
Special Assessment Receivables, Net	-	258,000	258,000
Total Current Assets	\$ 598,987	\$ 2,125,620	\$ 2,724,607
Noncurrent Assets			
Restricted Investments	\$ -	\$ 1,363,410	\$ 1,363,410
Special Assessment Receivable	-	1,446,355	1,446,355
Certificates of Deposit (Maturity > 1 Year)	338,340	-	338,340
Capital Assets, Net	676,826	9,016,407	9,693,233
Total Noncurrent Assets	\$ 1,015,166	\$ 11,826,172	\$ 12,841,338
Total Assets	\$ 1,614,153	\$ 13,951,792	\$ 15,565,945
Liabilities			
Current Liabilities			
Accounts payable	\$ 54,045	\$ 119,537	\$ 173,582
Due to Other Governmental Units	-	9,685	9,685
Interest Payable	-	72,490	72,490
Bonds Payable, Current	-	599,304	599,304
Total Current Liabilities	\$ 54,045	\$ 801,016	\$ 855,061
Noncurrent Liabilities			
Bonds Payable	-	3,417,488	3,417,488
Total Liabilities	\$ 54,045	\$ 4,218,504	\$ 4,272,549
Net Position			
Net Investment in Capital Assets	\$ 676,826	\$ 4,999,615	\$ 5,676,441
Restricted	48,826	3,067,765	3,116,591
Unrestricted	834,456	1,665,908	2,500,364
Total Net Position	\$ 1,560,108	\$ 9,733,288	\$ 11,293,396

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

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
General Government	\$ 278,647	\$ 71,941	\$ -	\$ -	\$ (206,706)	\$ -	\$ (206,706)
Public Safety	1,121,702	-	-	-	(1,121,702)	-	(1,121,702)
Public Works	149,055	-	-	-	(149,055)	-	(149,055)
Recreation and Culture	520	-	-	-	(520)	-	(520)
Community and Economic Development	9,630	-	-	-	(9,630)	-	(9,630)
Depreciation (Unallocated)	47,341	-	-	-	(47,341)	-	(47,341)
Total Governmental Activities	<u>\$ 1,606,895</u>	<u>\$ 71,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,534,954)</u>	<u>\$ -</u>	<u>\$ (1,534,954)</u>
Business-Type Activities							
Sewer Fund	\$ 1,324,727	\$ 936,115	\$ -	\$ -	\$ -	\$ (388,612)	\$ (388,612)
Total Business-Type Activities	<u>\$ 1,324,727</u>	<u>\$ 936,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (388,612)</u>	<u>\$ (388,612)</u>
Total Primary Government	<u>\$ 2,931,622</u>	<u>\$ 1,008,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,534,954)</u>	<u>\$ (388,612)</u>	<u>\$ (1,923,566)</u>
General Revenues							
Property Taxes					\$ 1,062,308	\$ -	\$ 1,062,308
State Shared Revenues					393,257	-	393,257
Investment Earnings					5,415	133,137	138,552
Franchise Fees					63,685	-	63,685
Administrative Fees					8,878	-	8,878
Other Revenue					17,353	-	17,353
Total General Revenues					<u>\$ 1,550,896</u>	<u>\$ 133,137</u>	<u>\$ 1,684,033</u>
Change in Net Position					\$ 15,942	\$ (255,475)	\$ (239,533)
Net Position-Beginning, as Previously Reported					1,544,166	9,764,492	11,308,658
Prior Period Adjustment (See Note 12)					-	224,271	224,271
Net Position-Ending					<u>\$ 1,560,108</u>	<u>\$ 9,733,288</u>	<u>\$ 11,293,396</u>

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

March 31, 2014

	General	Police Fund	Fire/Ambulance Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 529,538	\$ -	\$ -	\$ 529,538
Taxes Receivable	15,404	26,988	27,057	69,449
Certificates of Deposit (Maturity > 1 Year)	338,340	-	-	338,340
Total Assets	\$ 883,282	\$ 26,988	\$ 27,057	\$ 937,327
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ -	\$ 26,988	\$ 27,057	\$ 54,045
Total Liabilities	\$ -	\$ 26,988	\$ 27,057	\$ 54,045
Fund Balance				
Restricted for Special Assessments	\$ 48,826	\$ -	\$ -	\$ 48,826
Assigned for Budgeted Deficit	249,281	-	-	249,281
Unassigned	585,175	-	-	585,175
Total Fund Balance	\$ 883,282	\$ -	\$ -	\$ 883,282

Total Fund Balance

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 are not reported in the funds

676,826

Net Position of Governmental Activities

\$ 1,560,108

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

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

	General Fund	Police Fund	Fire/Ambulance Fund	Total
Revenues				
Tax Revenues	\$ 197,210	\$ 432,549	\$ 432,549	\$ 1,062,308
Intergovernmental Revenue from State	393,257	-	-	393,257
Fines and Forfeits	16,512	-	-	16,512
Licenses and Permits	55,429	-	-	55,429
Franchise Fees	63,685	-	-	63,685
Interest and Rents	5,415	-	-	5,415
Administrative Fees	8,878	-	-	8,878
Other Revenue	17,353	-	-	17,353
Total Revenues	<u>\$ 757,739</u>	<u>\$ 432,549</u>	<u>\$ 432,549</u>	<u>\$ 1,622,837</u>
Expenditures				
General Government:				
Legislative	\$ 113,327	\$ -	\$ -	\$ 113,327
Chief Executive	56,779	-	-	56,779
Treasurer	22,840	-	-	22,840
Assessing Equalization	34,780	-	-	34,780
Clerk	21,744	-	-	21,744
Elections	2,622	-	-	2,622
Building and Grounds	22,018	-	-	22,018
All Other	4,537	-	-	4,537
Public Safety:				
Police	177,939	432,549	-	610,488
Ambulance/Fire	29,262	-	432,549	461,811
Building Inspections	49,403	-	-	49,403
Public Works:				
Electric Utilities	11,038	-	-	11,038
Roads	124,764	-	-	124,764
All Other	13,253	-	-	13,253
Recreation and Culture:				
Parks and Recreation	520	-	-	520
Community and Economic Development:				
Community Planning and Zoning	9,630	-	-	9,630
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 694,456</u>	<u>\$ 432,549</u>	<u>\$ 432,549</u>	<u>\$ 1,559,554</u>
Excess Revenues Over Expenditures	\$ 63,283	\$ -	\$ -	\$ 63,283
Fund Balance- Beginning of Year	<u>819,999</u>	<u>-</u>	<u>-</u>	
Fund Balance - End of Year	<u>\$ 883,282</u>	<u>\$ -</u>	<u>\$ -</u>	

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

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

	(47,341)
Change in Net Position of Governmental Activities	\$ 15,942

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

PROPRIETARY FUND
STATEMENT OF NET POSITION
March 31, 2014

	Sewer Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,824,421
Trade Receivables, Net	43,199
Special Assessments Receivable, Net	258,000
Total Current Assets	\$ 2,125,620
Noncurrent Assets:	
Restricted Investments	\$ 1,363,410
Special Assessments Receivable, Net	1,446,355
Capital Assets, Net	9,016,407
Total Noncurrent Assets	\$ 11,826,172
Total Assets	\$ 13,951,792
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 119,537
Due to Other Governmental Units	9,685
Interest Payable	72,490
Bonds Payable, Current	599,304
Total Current Liabilities	\$ 801,016
Noncurrent Liabilities:	
Bonds Payable, Noncurrent	3,417,488
Total Liabilities	\$ 4,218,504
Net Position	
Net Investment in Capital Assets	\$ 4,999,615
Restricted	3,067,765
Unrestricted	1,665,908
Total Net Position	\$ 9,733,288

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

PROPRIETY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended March 31, 2014

	Sewer Fund
Operating Revenues	
Charges for Services:	
Flat/Metered Fees	\$ 823,307
Debt Service	140,896
Granger, Indiana	22,292
Other	183
Reimbursement of Debt Service Fee to Local Governments:	
Village of Edwardsburg	(46,778)
Mason Township	(13,760)
Hook-up Charges and Other	9,975
Total Operating Revenues	\$ 936,115
Operating Expenses	
Personal Services	\$ 31,285
Professional Fees	3,245
Wastewater Treatment Plant Costs:	
Sewage Processing	347,007
Surcharges	24,803
Administration and Labor	2,475
Penalties	22,750
Wastewater System Management	122,857
Chemical Treatments	63,383
Office Expenses	12,580
Insurance	5,000
Repairs and Maintenance	204,707
Utilities	27,368
Depreciation	236,974
Other	7,145
Total Operating Expenses	\$ 1,111,579
Operating Loss	\$ (175,464)
Other Revenue (Expenses)	
Interest Income:	
Special Assessments	\$ 108,610
Other	24,527
Interest Expense	(213,148)
Total Other Revenue (Expenses)	\$ (80,011)
Change in Net Position	\$ (255,475)
Net Position-Beginning of Year, as Previously Reported	9,764,492
Prior Period Adjustment (See Note 12)	224,271
Net Position-End of Year	\$ 9,733,288

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

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	Sewer Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 952,328
Payments to Vendors and Suppliers	(732,134)
Payments to Employees	(31,285)
Net Cash Provided by Operating Activities	\$ 188,909
Cash Flows From Capital and Related Financing Activities	
Special Assessment Principal Received	\$ 342,953
Special Assessment Interest Received	108,610
Principal Reduction of Long-term Debt	(609,304)
Interest Paid	(213,148)
Net Cash Used in Capital and Related Financing Activities	\$ (370,889)
Cash Flows From Investing Activities	
Interest Received	\$ 24,527
Net Change in Restricted Investments	(16,443)
Net Cash Provided by Investing Activities	\$ 8,084
Net Decrease in Cash and Cash Equivalents	\$ (173,896)
Cash and Cash Equivalents-Beginning	1,998,317
Cash and Cash Equivalents-Ending	\$ 1,824,421
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (175,464)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	236,974
<i>Change in Assets and Liabilities:</i>	
Due from Edwardsburg Police Board	15,000
Trade Receivables, Net	1,213
Accounts Payable	81,537
Interest Payable	26,565
Due to Other Governmental Units	3,084
Net Cash Provided by Operating Activities	\$ 188,909

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

TRUST AND AGENCY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2014

	Agency Fund (Property Tax Collections)	Trust Fund (Escrow Funds)	Total Trust and Agency Funds
Assets			
Cash	\$ 4,110	\$ 5,107	\$ 9,217
Total Assets			
Liabilities			
Due to Governmental Units	\$ 4,110	\$ -	\$ 4,110
Due to Others	-	5,107	5,107
Total Liabilities	\$ 4,110	\$ 5,107	\$ 9,217

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Jointly Governed Organization—The Township is a sponsoring member of the Township of Ontwa-Edwardsburg Police Department, The Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service. The Township appoints two members to each jointly governed organization's governing board, and the Township provides annual financial support to each entity. The Township does not retain an equity interest in any of the entities and, accordingly, these entities are not considered includable in these financial statements. Financial information of the jointly governed organizations is available from their respective offices in Edwardsburg, Michigan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 revenue are reported instead as general revenue.

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

The Township reports the following major governmental funds:

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

The **Police Fund** accounts for special voted taxes levied to support operating costs of police services.

The **Fire/Ambulance Fund** accounts for special voted taxes levied to support operating costs of fire protection and response and ambulance services.

The Township reports the following major proprietary funds:

The **Sewer Fund** accounts for the operation of the Township's sewage system and treatment plant.

The Township reports the following fiduciary funds:

The Township reports two agency (fiduciary) funds – **Tax Collection Fund**, which accounts for property taxes collected on behalf of other local units of government, and **Escrow Fund**, which accounts for deposits held on behalf of developers and others for zoning or other requests.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**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 fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is 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.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual—that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

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

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

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

Property Taxes - The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2013 ad valorem tax is levied and collectible on December 1st, 2013 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 taxable valuation of the Township totaled approximately \$217.2 million, on which ad valorem taxes are levied which consisted of .74866 mills for the Township's operating purposes, 2.0000 for police, and 2.0000 for fire/ambulance services. These amounts are recognized in their governmental fund financial statements as taxes receivable—current or as tax revenue.

E. Assets, Liabilities, and Net Position or Equity

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

Receivables and Payables—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, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with GASB Statement No. 34.

Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

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

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
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Roads	20 years
Sewer System	50 years

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

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e., there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

The following are definitions for the five fund balance classifications:

Non spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of March 31, 2014, none of the Township’s fund balance was classified as non spendable.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of March 31, 2014, \$48,826 of the Township’s fund balance has been restricted for special assessment districts.

Committed fund balance- includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of March 31, 2014, none of the Township’s fund balance was classified as committed.

Assigned fund balance – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. As of March 31, 2014, \$249,281 of the Township’s fund balance has been assigned by the Township board for the fiscal 2014 budgeted deficit.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of March 31, 2014, \$585,175 was classified as unassigned.

As the Township has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

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

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

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

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

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

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

Excess of Expenditures Over Appropriations in Major Budgeted Funds - During the year, the Township had the following budget variances:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Public Safety - Police	\$ 173,420	\$ 177,939	\$ (4,519)
General Fund - Public Safety - Ambulance/Fire	360	29,262	(28,902)
General Fund - Public Works - All Other	10,000	13,253	(3,253)

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

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

Construction Code Fees – The Township oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Deficit at April 1, 2013	<u>\$ (45,024)</u>
Current year permit revenue	\$ 55,429
Related expenses:	
Direct costs	<u>(49,403)</u>
Current year income	<u>6,026</u>
Cumulative deficit at March 31, 2014	<u><u>\$ (38,998)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 529,538	\$ 1,824,421	\$ 2,353,959	\$ 9,217
Certificates of Deposit	338,340	-	338,340	-
Restricted Investments	-	1,363,410	1,363,410	-
Total	<u>\$ 867,878</u>	<u>\$ 3,187,831</u>	<u>\$ 4,055,709</u>	<u>\$ 9,217</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, CD's)	\$ 2,353,959	\$ 9,217
Certificate of Deposits > 1 year	1,701,750	-
	<u>\$ 4,055,709</u>	<u>\$ 9,217</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, none of the Township's bank balance of \$4,241,764 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

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

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificates of Deposit	<u>\$ 1,701,750</u>	<u>\$ 1,701,750</u>	<u>\$ 1,701,750</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2014, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2014, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, 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. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2014, the Township had no such investments.

Foreign Currency Risk:

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

NOTE 4. RECEIVABLES

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

	General Fund	Police Fund	Fire/ Ambulance Fund	Sewer Fund	Total
Receivables					
Taxes	\$ 15,404	\$ 26,988	\$ 27,057	\$ -	\$ 69,449
Special Assessments	-	-	-	1,704,355	1,704,355
Trade	-	-	-	43,199	43,199
Total Receivables	<u>\$ 15,404</u>	<u>\$ 26,988</u>	<u>\$ 27,057</u>	<u>\$ 1,747,554</u>	<u>\$ 1,817,003</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property.

NOTE 5. FUTURE ROAD CONTRACTS

The Township has entered into contracts totaling \$172,587 for various road maintenance projects to be completed during the year ended March 31, 2015. The Cass County Road Commission has agreed to fund a portion of these projects. The Township will be funding \$155,328 of the total project costs as of March 31, 2014.

NOTE 6. CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 30,350	\$ -	\$ -	\$ 30,350
Capital assets being depreciated:				
Building	\$ 384,181	\$ -	\$ -	\$ 384,181
Equipment	96,737	-	-	96,737
Streets	561,247	-	-	561,247
Total	\$ 1,042,165	\$ -	\$ -	\$ 1,042,165
Accumulated depreciation:				
Building	\$ (124,778)	\$ (9,605)	\$ -	\$ (134,383)
Equipment	(83,167)	(9,674)	-	(92,841)
Streets	(140,403)	(28,062)	-	(168,465)
Total	\$ (348,348)	\$ (47,341)	\$ -	\$ (395,689)
Net capital assets being depreciated	<u>\$ 693,817</u>			<u>\$ 646,476</u>
Net capital assets	<u><u>\$ 724,167</u></u>			<u><u>\$ 676,826</u></u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities - Sewer				
Capital assets being depreciated				
Sewer system	\$ 11,848,718	\$ -	\$ -	\$ 11,848,718
Equipment	-	38,000	-	38,000
Total	\$ 11,848,718	\$ 38,000	\$ -	\$ 11,886,718
Accumulated depreciation:				
Sewer system	\$ (2,633,337)	\$ (236,974)	\$ -	\$ (2,870,311)
Equipment	-	-	-	-
Total	\$ (2,633,337)	\$ (236,974)	\$ -	\$ (2,870,311)
Net capital assets - Sewer	<u><u>\$ 9,215,381</u></u>			<u><u>\$ 9,016,407</u></u>
Depreciation was charged to programs of the primary government as follows:				
Governmental Activities				
Unallocated Depreciation	<u><u>\$ 47,341</u></u>			
Business-type Activities				
Sewer	<u><u>\$ 236,974</u></u>			

NOTE 7. LONG TERM DEBT

Long term obligations consist of the following contract payables to Cass County, issued in connection with sewer system improvements and expansion. All debt is secured by the full faith and credit of the Township.

Long-term obligation activity can be summarized as follows:

Fund	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2005 Contract Payable	3.5-4.75%	2019	\$ 4,050,000	\$ -	\$ (550,000)	\$ 3,500,000	\$ 540,000
2012 Contract Payable	2.0-3.15%	2024	576,096	-	(59,304)	516,792	59,304
Total Business-type Activities			<u>\$ 4,626,096</u>	<u>\$ -</u>	<u>\$ (609,304)</u>	<u>\$ 4,016,792</u>	<u>\$ 599,304</u>

	Face Amount
\$1,360,000 Cass County Sewage Disposal Bonds (Painter, Juno, and Christiana Lakes) (Refunding, Series 2012 general obligation limited tax); bearing interest at 2.00% to 3.15%, due in annual installments of \$75,000 to \$140,000, beginning in May 2013, plus interest, through May 2024. **	\$ 516,792
\$6,540,000 Cass County Sewage Disposal Bonds (Refunding general obligation limited tax); bearing interest at 3.50% to 4.75%, due in annual installments of \$485,000 to \$640,000, beginning in May 2008, plus interest, through May 2019.	3,500,000
	<u>\$ 4,016,792</u>

** -- This bond obligation is shown with Ontwa Township responsible for 42.36% and Mason Township responsible for 57.65%.

NOTE 7. LONG TERM DEBT, CONCLUDED

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

	Business-type Activities		
	Principal	Interest	Total
2015	\$ 599,304	\$ 161,909	\$ 761,213
2016	580,832	137,407	718,239
2017	617,950	111,732	729,682
2018	655,832	83,737	739,569
2019	688,714	53,053	741,767
2020-2024	842,390	36,027	878,417
2025	31,770	500	32,270
	<u>\$ 4,016,792</u>	<u>\$ 584,365</u>	<u>\$ 4,601,157</u>

Interest expense of \$213,148 was charged to the sewer operations of the Township for the year ended March 31, 2014.

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; worker's compensation; and natural disaster. The Township participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, error and omissions, physical damage (equipment, building and contents) and work's compensations. Settlement amounts have not exceeded insurance coverage for the past four years.

NOTE 9. OPERATING LEASES

The Township did not have any operating or capital leases during the year.

Note 10. Wastewater Treatment Services with City of Elkhart

The Township and the Cass County Board of Public Works ("BPW") are parties with the City of Elkhart ("Elkhart") for sewage and wastewater treatment services. The original agreement was dated March 14, 2000, with amendments on August 15, 2000 and May 16, 2011. The BPW has made fixed capital buy-in payments that entitle the Township and BPW to an average daily flow rate that shall not exceed 515,000 gallons per day or 900 gallons per minute. The also have the option to purchase additional capacity to add an additional 155,000 gallons per day of average flow. The agreement is in place for twenty (20) years from the date of the 2nd amendment. The cost of these services for March 31, 2014 was \$250,531. In addition, the Township paid Elkhart a one-time fee of \$314,000 to increase capacity as it relates to the Granger Service Area agreement (see Note 11).

Note 11. Sanitary Sewage Disposal for Granger Service Area

Effective January 11, 2011, the Township and the St. Joseph County Regional Water & Sewer District ("District") have entered into an agreement for the transmittal of District sewage through the Township's sewer system to be processed by the Elkhart system. (See Note 10). The District will purchase a capacity of 75,000 gallons per day at a cost of \$3.14/gal for a total cost of \$235,500, with the option of purchasing an additional 60,000 gallons per day at the same multiplier. In addition, the District paid the Township a connection charge of \$219,450 prior to the start of service during fiscal 2013.

The monthly charge for treatment of the sewage will be \$2.94/1,000 gallons, with \$2.40 for the treatment by Elkhart and \$0.54 for transportation in the Township's system.

Note 12. Prior Period Adjustment

The beginning of year net position of the Sewer Fund has been adjusted to correct an error related to the understatement of special assessments receivable as of March 31, 2013 of \$224,271.

Note 13. Adoption of New Accounting Principles

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED March 31, 2014

	Original Budget	Final Budget	Actual	Variance
Revenues				
Tax Revenues	\$ 167,431	\$ 202,277	\$ 197,210	\$ 29,779
Intergovernmental Revenue from State	320,000	320,000	393,257	73,257
Fines and Forfeits	12,000	12,000	16,512	4,512
Licenses and Permits	35,625	35,625	55,429	19,804
Franchise Fees	40,000	40,000	63,685	23,685
Interest and Rents	600	600	5,415	4,815
Administrative Fees	-	-	8,878	8,878
Other Revenue	57,800	57,800	17,353	(40,447)
Total Revenues	<u>\$ 633,456</u>	<u>\$ 668,302</u>	<u>\$ 757,739</u>	<u>\$ 124,283</u>
Expenditures				
General Government:				
Legislative	\$ 579,407	\$ 549,407	\$ 113,327	\$ 436,080
Chief Executive	86,700	86,700	56,779	29,921
Treasurer	28,900	28,900	22,840	6,060
Assessing Equalization	38,750	38,750	34,780	3,970
Clerk	28,900	28,900	21,744	7,156
Elections	19,500	19,500	2,622	16,878
Building and Grounds	36,970	36,970	22,018	14,952
All other	5,700	5,700	4,537	1,163
Public Safety:				
Police	173,420	173,420	177,939	(4,519)
Ambulance/Fire	360	360	29,262	(28,902)
Building Inspections	53,420	53,420	49,403	4,017
Public Works:				
Electric Utilities	14,223	14,223	11,038	3,185
Roads	100,000	130,000	124,764	5,236
All Other	10,000	10,000	13,253	(3,253)
Recreation and Culture:				
Parks and Recreation	5,000	5,000	520	4,480
Community and Economic Development:				
Community Planning and Zoning	32,750	32,750	9,630	23,120
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 1,214,000</u>	<u>\$ 1,214,000</u>	<u>\$ 694,456</u>	<u>\$ 519,544</u>
Excess (Deficit) Revenues Over (Under) Expenditures	\$ (580,544)	\$ (545,698)	\$ 63,283	\$ 643,827
Fund Balance- Beginning of Year	819,999	819,999	819,999	-
Fund Balance - End of Year	<u>\$ 239,455</u>	<u>\$ 274,301</u>	<u>\$ 883,282</u>	<u>\$ 643,827</u>

**BUDGETARY COMPARISON SCHEDULE
POLICE FUND
FOR THE YEAR ENDED March 31, 2014**

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 447,882	\$ 432,549	\$ (15,333)
Total Revenues	<u>\$ 447,882</u>	<u>\$ 432,549</u>	<u>\$ (15,333)</u>
Expenditures			
Public Safety	\$ 447,882	\$ 432,549	\$ 15,333
Total Expenditures	<u>\$ 447,882</u>	<u>\$ 432,549</u>	<u>\$ 15,333</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance- Beginning of Year	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**BUDGETARY COMPARISON SCHEDULE-
FIRE/AMBULANCE FUND
FOR THE YEAR ENDED March 31, 2014**

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 447,882	\$ 432,549	\$ (15,333)
Total Revenues	<u>\$ 447,882</u>	<u>\$ 432,549</u>	<u>\$ (15,333)</u>
Expenditures			
Public Safety	\$ 447,882	\$ 432,549	\$ 15,333
Total Expenditures	<u>\$ 447,882</u>	<u>\$ 432,549</u>	<u>\$ 15,333</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance- Beginning of Year	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



September 8, 2014

To the Township Board
Ontwa Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Ontwa Township, Michigan 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 in our letter to you dated May 19, 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 Ontwa Township, Michigan are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the Township adopted the provisions of the accounting pronouncement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Adoption of this standard did not result in restatement or reclassification of opening net position or fund balances. We noted no transactions entered into by Ontwa Township, Michigan 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 Township's financial statements was:

Management's estimation of asset lives for depreciation is based on the useful life of the asset. We evaluated the key factors and assumptions used to develop and calculate depreciation expense 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.

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

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Certain misstatements detected as a result of audit procedures and corrected by management were material, and included the adjustment of property tax receivables, special assessments receivable balances, and depreciation expense, and bond payable balances.

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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 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 Ontwa Township, Michigan'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 Ontwa Township, Michigan'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

We applied certain limited procedures to the budgetary comparison schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Township Board and management of Ontwa Township, Michigan 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 cursive script that reads "Schaffer & Layher".

Schaffer & Layher



To the Board of Trustees and Management
of Ontwa Township

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of Ontwa Township, Michigan 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 Ontwa Township, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ontwa Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Ontwa Township, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Ontwa Township, Michigan's internal control be material weaknesses:

Financial Statement Preparation

Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and the related footnotes. The staff at the Township does not understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the Township that management, prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting.

Material Audit Adjustments

During the audit there were material adjustments that were proposed by the auditors. Management is responsible for establishing and maintaining internal controls that result in the fair presentation of the financial statements. Since the independent auditors proposed these adjustments, a material weakness has occurred.

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

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

Segregation of Duties

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

Documented Policies

We identified certain policies that have not been formally documented by the Township including conflict of interest for board members and employees, credit cards, and capital assets. The absence of formal documentation of these policies may result in the lack of direction and oversight by the Board related to these areas.

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



Schaffer & Layher
St. Joseph, Michigan
August 28, 2014