

# Layton & Richardson, P.C.

Certified Public Accountants

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To the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bath 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 October 17, 2013. 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 Bath Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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.

1000 Coolidge Road  
East Lansing, MI 48823

(517) 332-1900  
(517) 332-2082 fax  
Info@LNRCPA.com

Vickie L. Crouch, CPA, CGFM  
Principal  
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA  
Principal  
Steve@LNRCPA.COM

*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 June 11, 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 Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other 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 Township'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

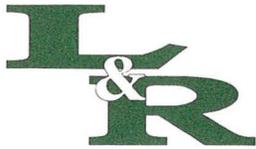
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United 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 Bath Charter Township, and is not intended to be and should not be used by anyone other than these specified parties.

*Layton & Richardson, P.C.*

*Certified Public Accountants*

East Lansing, Michigan  
June 11, 2014



# Layton & Richardson, P.C.

Certified Public Accountants

## LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board  
Bath Charter Township  
Bath, Michigan

In planning and performing our audit of the financial statements of Bath Charter Township for the year ended December 31, 2013, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 11, 2014, on the financial statements of Bath Charter Township

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Bath Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. Our comments are summarized as follows:

### PRIOR YEAR RECOMMENDATIONS

#### UNCLAIMED PROPERTY

The State of Michigan Department of Treasury recently made changes to the Uniform Unclaimed Property Act effective in 2012. Under this act, every business that has unclaimed property belonging to owners whose last known address is in Michigan must report and remit the property to the Michigan Department of Treasury. Unclaimed property includes uncashed payroll checks, as well as many other property types.

The annual reporting period is April 1 through March 31 with a due date of July 1. There are penalty and interest charges for property holders who fail to properly file a report. Additional information, including the *Manual for Reporting Unclaimed Property*, free holder reporting software, forms, Frequently Asked Questions, and a Webcast are available in the "Reporting Unclaimed Property" section at [www.michigan.gov/unclaimedproperty](http://www.michigan.gov/unclaimedproperty). If your organization does not have unclaimed property to report, you should complete and return the *Attestation of Compliance with Unclaimed Property Reporting* (Form 4305).

It was noted during our audit several outstanding checks issued over a year ago. We recommend that these outstanding checks be reviewed and either voided and reissued, or escheated to the State of Michigan. **Current year status: This recommendation has not been implemented.**

### CURRENT YEAR RECOMMENDATIONS

#### ACCOUNTS PAYABLE

During our audit, we noted several instances where invoices over \$1,000 were not approved by the Superintendent. We recommend the Township follow their policy of invoices over \$1,000 needing to be approved by the Superintendent.

1000 Coolidge Road  
East Lansing, MI 48823

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(517) 332-2082 fax  
Info@LNRCPA.com

Vickie L. Crouch, CPA, CGFM  
Principal  
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA  
Principal  
Steve@LNRCPA.COM

## CURRENT YEAR RECOMMENDATIONS - Concluded

### PAYROLL

Currently, blank payroll checks are kept in an unlocked cabinet in a room that is only locked when the Clerk leaves the building. We recommend the checks be locked up at all times and that only authorized people have access. This will help prevent the improper use of the checks.

During our audit, we noted the reports being used to approve payroll checks are not being initialed and dated, indicating approval. We recommend the reports be initialed and dated after being reviewed as an additional control to show the payroll checks are indeed being reviewed and compared to the reports.

During our audit, we noted the direct deposit is transmitted before being approved by the Treasurer. We recommend the direct deposit not be transmitted until after approval by the Treasurer. This will help eliminate any errors in the direct deposit.

### BUDGETING

Public Act 621 of 1978, as amended, requires the adoption on a balanced budget for the general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding appropriated budget. For the year ended December 31, 2013, actual expenditures exceeded budgeted amounts in the following funds: General Fund, in the following departments: Elections, Treasurer, Department of Public Works, and Transfers Out.

We wish to express our appreciation for the cooperation offered by the staff and employees of Bath Township, whose contributions greatly facilitated the completion of our audit.



*Certified Public Accountants*

East Lansing, Michigan  
June 11, 2014

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2013**

Bath Charter Township  
Clinton County, Michigan

December 31, 2013

BOARD OF TRUSTEES AND ADMINISTRATION

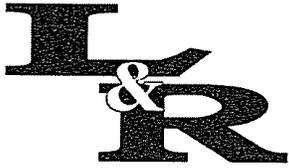
Paula Clark	Supervisor
Kathleen McQueen	Clerk
Jeff Garrity	Treasurer
Leon Puttler	Trustee
Ryan Fewins-Bliss	Trustee
Cindy Cronk	Trustee
Walter Pett	Trustee

Bath Charter Township

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# Layton & Richardson, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township 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, each major fund, and the aggregate remaining fund information of Bath Charter Township 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.

### Emphasis of Matter

As discussed in Note K, the Township implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statement No. 65, as applicable. Our opinions are not modified with respect to this matter.

1000 Coolidge Road  
East Lansing, MI 48823

(517) 332-1900  
(517) 332-2082 fax  
Info@LNRCPA.com

Merrick A. Richardson, CPA  
Principal  
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM  
Principal  
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA  
Principal  
Steve@LNRCPA.COM

## **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 as identified in the table of contents 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 Bath Charter Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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.



*Certified Public Accountants*

East Lansing, Michigan  
June 11, 2014

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2013:

- Property tax revenues, our largest revenue source, decreased approximately \$57,192 from the prior year. The decrease is the net result of a decrease in the true cash value of real and personal properties in the Township.
- Total fund balances related to the Township's governmental funds decreased by \$624,568.
- Capital assets, net of depreciation, increased approximately \$111,170 from the prior year. The majority of this increase is related to additions to the sewer system.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net position and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

**Using this Annual Report - continued**

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** Bath Charter Township maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-28 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

**The Township as a Whole**

The following table shows, in a condensed format, the net assets as of December 31, 2013 and 2012:

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets						
Current and other assets	\$ 5,615,436	\$ 6,142,316	\$ 5,743,702	\$ 3,324,696	\$ 11,359,138	\$ 9,467,012
Capital assets, net	<u>3,796,224</u>	<u>3,924,604</u>	<u>10,486,330</u>	<u>10,246,780</u>	<u>14,282,554</u>	<u>14,171,384</u>
Total assets	9,411,660	10,066,920	16,230,032	13,571,476	25,641,692	23,638,396
Deferred outflows of resources	-	-	59,583	48,500	59,583	48,500
Liabilities						
Current liabilities	387,618	282,763	763,711	878,713	1,151,329	1,161,476
Noncurrent liabilities	<u>433,344</u>	<u>614,124</u>	<u>7,857,687</u>	<u>5,360,000</u>	<u>8,291,031</u>	<u>5,974,124</u>
Total liabilities	820,962	896,887	8,621,398	6,238,713	9,442,360	7,135,600
Deferred inflows of resources	2,573,910	2,530,435	-	-	2,573,910	2,530,435

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

**The Township as a Whole - continued**

	Governmental Activities		Business-type Activities		Totals	
	December 31,		December 31,		December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net position						
Net investment in capital assets	\$ 3,270,652	\$ 3,254,115	\$ 2,271,572	\$ 4,441,780	\$ 5,542,224	\$ 7,695,895
Restricted	40,723	27,421	-	-	40,723	27,421
Unrestricted	<u>2,705,413</u>	<u>3,358,062</u>	<u>5,396,645</u>	<u>2,939,483</u>	<u>8,102,058</u>	<u>6,297,545</u>
Total net position	<u>\$ 6,016,788</u>	<u>\$ 6,639,598</u>	<u>\$ 7,668,217</u>	<u>\$ 7,381,263</u>	<u>\$ 13,685,005</u>	<u>\$ 14,020,861</u>

Net position may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$13,685,005 as of December 31, 2013. A significant portion of the Township's net position (40 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$8,102,058) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net position decreased by \$335,856 during the current year as discussed below.

	Governmental Activities		Business-type Activities		Totals	
	December 31,		December 31,		December 31,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue						
Program revenue:						
Charges for services	\$ 530,147	\$ 533,790	\$ 1,460,066	\$ 1,382,913	\$ 1,990,213	\$ 1,916,703
Operating grants and contributions	162,875	136,078	-	-	162,875	136,078
Capital grants and contributions	3,181	3,344	394,967	59,132	398,148	62,476
General revenue:						
Property taxes	2,326,798	2,383,990	-	-	2,326,798	2,383,990
State shared revenue	862,191	845,678	-	-	862,191	845,678
Investment earnings	(155,012)	128,589	12,123	52,858	(142,889)	181,447
Equity interest in SCCMUA	-	-	46,948	108,166	46,948	108,166
Miscellaneous	<u>70,880</u>	<u>52,001</u>	<u>-</u>	<u>67,603</u>	<u>70,880</u>	<u>119,604</u>
Total revenue	3,801,060	4,083,470	1,914,104	1,670,672	5,715,164	5,754,142
Program Expenses						
General government	1,871,546	1,501,527	-	-	1,871,546	1,501,527
Public safety	2,018,684	1,930,084	-	-	2,018,684	1,930,084
Public works	453,857	426,463	-	-	453,857	426,463
Recreation and cultural	50,351	80,477	-	-	50,351	80,477
Sewer system	-	-	1,621,150	1,480,494	1,621,150	1,480,494
Water system	-	-	6,000	6,000	6,000	6,000
Interest on long-term debt	<u>29,432</u>	<u>34,154</u>	<u>-</u>	<u>-</u>	<u>29,432</u>	<u>34,154</u>
Total program expenses	<u>4,423,870</u>	<u>3,972,705</u>	<u>1,627,150</u>	<u>1,486,494</u>	<u>6,051,020</u>	<u>5,459,199</u>
Change in Net Position	<u>\$ (622,810)</u>	<u>\$ 110,765</u>	<u>\$ 286,954</u>	<u>\$ 184,178</u>	<u>\$ (335,856)</u>	<u>\$ 294,943</u>

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

**Governmental Activities**

Governmental activities decreased the Township's net position by \$622,810 during fiscal year 2013. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$3,801,060 with the greatest revenue source being property taxes. Tax revenues decreased approximately \$57,192. Investment earnings decreased \$283,601 and state shared revenue increased approximately \$16,513 during 2013.

The Township incurred expenses of \$4,423,870 during the year which was \$451,165 more than the prior year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

**Business-type Activities**

Business-type activities increased the Township's net position by \$286,954 during fiscal year 2013. The increase in net position was partially due to an increase in the Township's equity interest in SCCMUA operations. The majority (76%) of the revenue of the business-type activities is generated through user charges.

**The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2013 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,551,670 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$3,026,158 and \$115,500, respectively. Net position for the Sewer System Fund increased by \$290,406 while the net position for the Water System Fund decreased by \$3,452 for the fiscal year.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, most significantly for capital outlay.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$22,684,740 invested in a broad range of capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively. As of December 31, 2013, the capital asset amount reflected above included \$371,724 of construction in progress, primarily related to sewer system improvements. Refer to Note E on pages 21 and 22 for further details related to the Township's capital assets.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013

**Capital Asset and Debt Administration - Continued**

**Long-term Debt.** The Township made principal payments on existing obligations in the amount of \$609,917. The Township issued refunding bonds during the year, which will reduce future debt service requirements by \$267,743. The carrying amount of the Township's obligation for compensated absences increased by \$17,472. Refer to Note F on pages 22 through 24 for further details related to the Township's long-term debt.

**Current Economic Factors**

Bath Charter Township continues to maintain a stable financial outlook due to conservative budgeting and fiscal management and to a significant growth curve in new residential and commercial construction. In addition, Bath Township's tax base, though lowered, was not hit as severely by the Great Recession as were many communities throughout Michigan.

This is not to say that Bath Township does not face some challenges. While Township growth has been significant for more than a decade, the new residents represent additional demands for services and infrastructure improvements, particularly in the sanitary sewer system, which requires additional resources. The Township has developed and continues to refine a multi-year capital improvement planning process to identify, evaluate, prioritize, and fund the most significant new investments in our community.

**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 demonstrate 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 Superintendent or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Bath Charter Township  
STATEMENT OF NET POSITION  
December 31, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,298,240	\$ 1,064,480	\$ 2,362,720
Investments	361,766	470,159	831,925
Receivables	1,197,619	399,597	1,597,216
Due from other governmental units	337,057	-	337,057
Prepays	64,736	-	64,736
Internal balances	55,716	(55,716)	-0-
Total current assets	3,315,134	1,878,520	5,193,654
Noncurrent assets			
Investments	2,300,302	992,526	3,292,828
Investment in SCCMUA	-	2,872,656	2,872,656
Capital assets not being depreciated	1,069,677	371,724	1,441,401
Capital assets, net of accumulated depreciation	2,726,547	10,114,606	12,841,153
Total noncurrent assets	6,096,526	14,351,512	20,448,038
TOTAL ASSETS	9,411,660	16,230,032	25,641,692
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	59,583	59,583
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	97,319	7,720	105,039
Accrued wages	31,802	-	31,802
Accrued liabilities	25,363	-	25,363
Accrued interest payable	5,364	65,930	71,294
Unearned revenue	-	332,990	332,990
Current portion of compensated absences	135,542	-	135,542
Current portion of long-term debt	92,228	357,071	449,299
Total current liabilities	387,618	763,711	1,151,329
Noncurrent liabilities			
Noncurrent portion of long-term debt	433,344	7,857,687	8,291,031
TOTAL LIABILITIES	820,962	8,621,398	9,442,360
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	2,573,910	-	2,573,910
<b>NET POSITION</b>			
Net investment in capital assets	3,270,652	2,271,572	5,542,224
Restricted for public safety	34,671	-	34,671
Restricted for street lights	6,052	-	6,052
Unrestricted	2,705,413	5,396,645	8,102,058
TOTAL NET POSITION	\$ 6,016,788	\$ 7,668,217	\$ 13,685,005

See accompanying notes to financial statements.

Bath Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,871,546	\$ 376,409	\$ 66,551	\$ -	\$ (1,428,586)	\$ -	\$ (1,428,586)
Public safety	2,018,684	130,922	12,954	-	(1,874,808)	-	(1,874,808)
Public works	453,857	-	83,370	3,181	(367,306)	-	(367,306)
Recreation and culture	50,351	22,816	-	-	(27,535)	-	(27,535)
Interest expense	29,432	-	-	-	(29,432)	-	(29,432)
Total governmental activities	4,423,870	530,147	162,875	3,181	(3,727,667)	-0-	(3,727,667)
Business-type activities							
Sewer system	1,621,150	1,456,066	-	394,967	-	229,883	229,883
Water system	6,000	4,000	-	-	-	(2,000)	(2,000)
Total business-type activities	1,627,150	1,460,066	-0-	394,967	-0-	227,883	227,883
Total government	<u>\$ 6,051,020</u>	<u>\$ 1,990,213</u>	<u>\$ 162,875</u>	<u>\$ 398,148</u>	(3,727,667)	227,883	(3,499,784)
		General revenues					
		Property taxes			2,326,798	-	2,326,798
		State shared revenue			862,191	-	862,191
		Investment earnings			(155,012)	12,123	(142,889)
		Equity interest in SCCMUA operations			-	46,948	46,948
		Miscellaneous			70,880	-	70,880
		Total general revenues			3,104,857	59,071	3,163,928
		Change in net position			(622,810)	286,954	(335,856)
		Restated net position, beginning of the year			6,639,598	7,381,263	14,020,861
		Net position, end of the year			<u>\$ 6,016,788</u>	<u>\$ 7,668,217</u>	<u>\$ 13,685,005</u>

See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

BALANCE SHEET

December 31, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,068,962	\$ 211,384	\$ 1,280,346
Investments	2,662,068	-	2,662,068
Receivables			
Accounts	18,790	-	18,790
Taxes	1,138,445	-	1,138,445
Special assessments	-	40,384	40,384
Due from other governmental units	337,057	-	337,057
Due from other funds	65,899	-	65,899
Prepays	64,736	-	64,736
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 5,355,957</u>	<u>\$ 251,768</u>	<u>\$ 5,607,725</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 82,197	\$ 15,122	\$ 97,319
Accrued wages	31,697	105	31,802
Accrued liabilities	25,363	-	25,363
Due to other funds	-	10,183	10,183
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	139,257	25,410	164,667
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	2,623,292	95,847	2,719,139
<b>FUND BALANCES</b>			
Nonspendable	64,736	-	64,736
Restricted	-	42,975	42,975
Committed	184,137	87,536	271,673
Assigned	188,627	-	188,627
Unassigned	2,155,908	-	2,155,908
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>2,593,408</u>	<u>130,511</u>	<u>2,723,919</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,355,957</u>	<u>\$ 251,768</u>	<u>\$ 5,607,725</u>

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

December 31, 2013

**Total fund balance - governmental funds** \$ 2,723,919

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 as assets in the governmental funds.

The cost of capital assets is	\$ 7,000,444	
Accumulated depreciation is	<u>(3,204,220)</u>	
Capital assets, net		3,796,224

An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the government-wide statement of net position.

Net position of governmental activities accounted for in an internal service fund		17,894
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Long-term receivables are not available to pay for current period expenditures and are therefore unavailable in the funds.		145,229
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year end consist of:

Compensated absences	(135,542)	
Accrued interest payable	(5,364)	
Bonds and notes payable	<u>(525,572)</u>	
		<u>(666,478)</u>

**Net position of governmental activities** **\$ 6,016,788**

Bath Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 2,536,549	\$ -	\$ 2,536,549
Licenses and permits	43,981	111,945	155,926
Intergovernmental	880,710	12,954	893,664
Charges for services	115,114	36,635	151,749
Fines and forfeits	-	405	405
Interest and rents	(95,146)	6	(95,140)
Other	66,214	92,551	158,765
<b>TOTAL REVENUES</b>	<b>3,547,422</b>	<b>254,496</b>	<b>3,801,918</b>
<b>EXPENDITURES</b>			
Current			
General government	1,411,528	7,002	1,418,530
Public safety	1,551,670	159,639	1,711,309
Public works	335,525	77,318	412,843
Recreation and culture	74,204	-	74,204
Debt service	101,137	76,763	177,900
Capital outlay	256,140	375,560	631,700
<b>TOTAL EXPENDITURES</b>	<b>3,730,204</b>	<b>696,282</b>	<b>4,426,486</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(182,782)</b>	<b>(441,786)</b>	<b>(624,568)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	473,652	473,652
Transfers out	(473,652)	-	(473,652)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(473,652)</b>	<b>473,652</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(656,434)</b>	<b>31,866</b>	<b>(624,568)</b>
Restated fund balances, beginning of year	3,249,842	98,645	3,348,487
Fund balances, end of year	<u>\$ 2,593,408</u>	<u>\$ 130,511</u>	<u>\$ 2,723,919</u>

See accompanying notes to financial statements.

Bath Charter Township

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

Year Ended December 31, 2013

**Net change in fund balances - total governmental funds** \$ (624,568)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 102,754	
Depreciation expense	<u>(231,134)</u>	
Excess of depreciation expense over capital outlay		(128,380)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable revenue was: (858)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Principal retirement	144,917
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	3,551	
(Increase) in compensated absences	<u>(17,472)</u>	
		<u>(13,921)</u>

**Change in net position of governmental activities** \$ (622,810)

Bath Charter Township

Proprietary Funds

STATEMENT OF NET POSITION

December 31, 2013

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,050,117	\$ 14,363	\$ 1,064,480	\$ 17,894
Investments	450,000	20,159	470,159	-
Receivables				
Accounts	396,942	-	396,942	-
Special assessments	2,655	-	2,655	-
<b>Total current assets</b>	<b>1,899,714</b>	<b>34,522</b>	<b>1,934,236</b>	<b>17,894</b>
Noncurrent assets				
Investments	870,548	121,978	992,526	-
Investment in SCCMUA	2,872,656	-	2,872,656	-
Capital assets not being depreciated	371,724	-	371,724	-
Capital assets, net of accumulated depreciation	10,114,606	-	10,114,606	-
<b>Total noncurrent assets</b>	<b>14,229,534</b>	<b>121,978</b>	<b>14,351,512</b>	<b>-0-</b>
<b>TOTAL ASSETS</b>	<b>16,129,248</b>	<b>156,500</b>	<b>16,285,748</b>	<b>17,894</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	59,583	-	59,583	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	7,720	-	7,720	-
Accrued interest payable	65,930	-	65,930	-
Due to other funds	14,716	41,000	55,716	-
Unearned revenue	332,990	-	332,990	-
Current portion of long-term debt	357,071	-	357,071	-
<b>Total current liabilities</b>	<b>778,427</b>	<b>41,000</b>	<b>819,427</b>	<b>-0-</b>
Noncurrent liabilities				
Noncurrent portion of long-term debt	7,857,687	-	7,857,687	-
<b>TOTAL LIABILITIES</b>	<b>8,636,114</b>	<b>41,000</b>	<b>8,677,114</b>	<b>-0-</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,526,559	-	4,526,559	-
Unrestricted	3,026,158	115,500	3,141,658	17,894
<b>TOTAL NET POSITION</b>	<b>\$ 7,552,717</b>	<b>\$ 115,500</b>	<b>\$ 7,668,217</b>	<b>\$ 17,894</b>

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended December 31, 2013

	Business-type Activities			Governmental
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Activities Internal Service Fund (Employee Sick and Vacation)
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,456,066	\$ 4,000	\$ 1,460,066	\$ -
<b>OPERATING EXPENSES</b>				
Contractual services	922,169	-	922,169	-
Administrative expenses	25,000	6,000	31,000	-
Other	177	-	177	-
Depreciation	305,463	-	305,463	-
<b>TOTAL OPERATING EXPENSES</b>	<b>1,252,809</b>	<b>6,000</b>	<b>1,258,809</b>	<b>-0-</b>
<b>OPERATING INCOME (LOSS)</b>	<b>203,257</b>	<b>(2,000)</b>	<b>201,257</b>	<b>-0-</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Equity interest in 2013 SCCMUA operations	46,948	-	46,948	-
Tap in fees	143,500	-	143,500	-
Special assessments	3,756	-	3,756	-
Interest revenue	13,575	(1,452)	12,123	-
Paying agent fees	(1,713)	-	(1,713)	-
Interest expense	(204,064)	-	(204,064)	-
Bond issuance costs	(160,076)	-	(160,076)	-
Amortization of deferred charges	(2,488)	-	(2,488)	-
Other revenue	247,711	-	247,711	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>87,149</b>	<b>(1,452)</b>	<b>85,697</b>	<b>-0-</b>
<b>CHANGE IN NET POSITION</b>	<b>290,406</b>	<b>(3,452)</b>	<b>286,954</b>	<b>-0-</b>
Restated net position, beginning of year	7,262,311	118,952	7,381,263	17,894
Net position, end of year	<u>\$ 7,552,717</u>	<u>\$ 115,500</u>	<u>\$ 7,668,217</u>	<u>\$ 17,894</u>

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 1,415,821	\$ 4,000	\$ 1,419,821	\$ -
Cash paid to suppliers	(1,269,616)	-	(1,269,616)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>146,205</b>	<b>4,000</b>	<b>150,205</b>	<b>-0-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Tap in fees	143,500	-	143,500	-
Special assessments	3,756	-	3,756	-
Interest paid	(178,306)	-	(178,306)	-
Bond proceeds	5,025,000	-	5,025,000	-
Payments on borrowings	(465,000)	-	(465,000)	-
Capital acquisitions	(545,013)	-	(545,013)	-
Paying agent fees	(1,713)	-	(1,713)	-
Payment to escrow agent	(2,250,514)	-	(2,250,514)	-
Amounts paid for issuance of debt	(73,375)	-	(73,375)	-
Other receipts	247,711	-	247,711	-
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>1,906,046</b>	<b>-0-</b>	<b>1,906,046</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(1,320,548)	(142,137)	(1,462,685)	-
Maturity of investments	208,404	147,834	356,238	-
Interest received	13,575	(1,452)	12,123	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(1,098,569)</b>	<b>4,245</b>	<b>(1,094,324)</b>	<b>-0-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>953,682</b>	<b>8,245</b>	<b>961,927</b>	<b>-0-</b>
Cash and cash equivalents, beginning of year	96,435	6,118	102,553	17,894
Cash and cash equivalents, end of year	<u>\$ 1,050,117</u>	<u>\$ 14,363</u>	<u>\$ 1,064,480</u>	<u>\$ 17,894</u>

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2013

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 203,257	\$ (2,000)	\$ 201,257	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	305,463	-	305,463	-
(Increase) in:				
Receivables	(44,684)	-	(44,684)	-
Increase (decrease) in:				
Accounts payable	(57,270)	-	(57,270)	-
Due to other funds	(265,000)	6,000	(259,000)	-
Unearned revenue	4,439	-	4,439	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 146,205</b>	<b>\$ 4,000</b>	<b>\$ 150,205</b>	<b>\$ -0-</b>

Note: The Township also adjusted its equity interest in 2013 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$46,948, to reflect the current year activity at SCCMUA.

Bath Charter Township

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,472,423</u>
LIABILITIES	
Due to other governmental units	
County	\$ 34,288
Schools	3,334,906
Clinton Area Transit System	38,607
Due to individuals and agencies	54,331
Due to developers	<u>10,291</u>
TOTAL LIABILITIES	<u>\$ 3,472,423</u>

See accompanying notes to financial statements.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bath Charter Township, Michigan (the Township), was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, including GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement's No. 39 and No. 61), these financial statements present the financial activities of Bath Charter Township (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

BLENDING COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

DISCRETELY PRESENTED COMPONENT UNIT

- a. Downtown Development Authority - The Downtown Development Authority (DDA) is governed by a nine (9) member board appointed by the Township Board. Its purpose is to promote the revitalization, development, and use of certain properties. The DDA had no assets or liabilities as of December 31, 2013.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Venture - continued

The members of the Authority and approximate percentage of responsibility are as follows:

Bath Charter Township	17 %
DeWitt Charter Township	56 %
City of DeWitt	11 %
Watertown Township	16 %

For the year ended December 31, 2013, Bath Charter Township contributed \$904,028 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2013, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

Accounting principles generally accepted in the United States of America allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2012. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2012, the Commission had total assets of \$1,153,317; total liabilities of \$28,311, and total net position of \$1,125,006. For the year ended December 31, 2012, the Commission had total operating revenues of \$301,294; total operating expenses of \$391,191; and an increase in net position of \$32,898.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Township reports the following major governmental fund:

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

The Township reports the following major enterprise fund:

- The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Additionally, the Township reports an internal service fund to account for assets to be utilized to pay accrued employee sick and vacation balances upon separation from employment with the Township.

The Township also reports agency funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency funds are the Current Tax Collections Fund and the Trust and Agency Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenues recognition in the governmental fund financial statements is sixty (60) days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounting for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources if they are needed.

7. Budgets and Budgetary Accounting

The General Fund's budget shown as required supplementary information was prepared on the same modified accrual basis used to reflect actual results. The Township budgets and accounts for certain activities using separate funds even though these activities do not meet requirements of Special Revenue Funds and are reported in the General Fund under GASB Statement No. 54.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Budgets and Budgetary Accounting - continued

- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, certificates of deposit with terms of maturity less than 90 days, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include mutual funds, commercial debt, U.S. Government Securities, and certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Investments are recorded at market value in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessment, and taxes levied that have not been collected.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2013 tax is levied and collectible on December 31, 2013, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2013, the Township levied 3.7254 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2012 levy for property within the Township was \$351,024,806.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2013, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 - 20 years
Buildings and improvements	10 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Flowage rights	50 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Deferred Outflows/Inflows of Resources - continued

The Township has only one type of item that qualifies for reporting as a deferred outflow of resources. It is deferred amounts on refunding reported in the statement of net position. The deferred amounts on refunding results from the difference between the par amount of the refunding bonds and the par amount of the new bonds. This amount is deferred and amortized over the shorter of the life of the refunded debt or the life of the new debt.

In addition to liabilities, the statement of net position and balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has only one type of item that qualifies for reporting as a deferred inflow of resources. *Unavailable revenue* is reported in the statement of net position and the governmental funds balance sheet. The statement of net assets reports unavailable revenues related to taxes levied for subsequent years. The governmental funds balance sheet reports unavailable revenues from revenues collected subsequent to 60 days after year end. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

16. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

17. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to 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 December 31, 2013, the carrying amount of the Township's deposits were \$7,277,108 and the bank balance was \$4,993,667, of which \$2,106,504 was covered by federal depository insurance. The remaining balance of \$2,887,163 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2013, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>	<u>%</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name				
Addison Michigan Community Schools	\$ 24,184	6.40 years	AA-	0.90%
Lincoln Michigan Consolidated Schools	20,159	.33 years	AA-	0.75%
Roseville Michigan Community Schools	219,021	1.30 years	AA-	8.16%
Oakland Macomb County Community Schools	125,732	3.20 years	AA+	4.69%
Buena Vista Township Michigan	48,779	18.00 years	N/R	1.82%
Federal Home Loan Mortgage Corporation	712,234	27.40 years	AAA	26.55%
Government National Mortgage Association	984,161	24.70 years	AAA	36.68%
Federal National Mortgage Association	492,110	28.01 years	AAA	18.34%
	<u>2,626,380</u>			
Uncategorized pooled investment funds	<u>56,408</u>	N/A	N/A	2.10%
	<u>\$ 2,682,788</u>			

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2013, the Township's investments were rated by Moody's as noted above.

Interest Rate Risk

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, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Custodial 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 by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial Credit Risk

The Township will minimize custodial credit risk, which 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 that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2013:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,362,720	\$ 3,472,423	\$ 5,835,143
Investments - current	831,925	-	831,925
Investments - noncurrent	<u>3,292,828</u>	<u>-</u>	<u>3,292,828</u>
	<u>\$ 6,487,473</u>	<u>\$ 3,472,423</u>	<u>\$ 9,959,896</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2013, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 14,716
Nonmajor governmental funds	10,183
Nonmajor enterprise fund	<u>41,000</u>
	<u>\$ 65,899</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for service transactions that have not cleared as of the balance sheet date.

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 473,652</u>

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE D: INTERFUND TRANSFERS - CONTINUED**

Transfers to the nonmajor governmental funds from the General Fund were to fund current year building and zoning operations, capital projects, and debt service.

**NOTE E: CAPITAL ASSETS**

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

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,069,677	\$ -	\$ -	\$ 1,069,677
Capital assets being depreciated				
Land improvements	826,922	9,995	-	836,917
Buildings and improvements	2,274,257	44,977	-	2,319,234
Machinery and equipment	534,485	30,090	-	564,575
Flowage rights	76,017	-	-	76,017
Vehicles	2,017,345	17,692	-	2,035,037
Office equipment and furniture	98,987	-	-	98,987
Subtotal	5,828,013	102,754	-0-	5,930,767
Less accumulated depreciation for:				
Land improvements	(513,812)	(31,718)	-	(545,530)
Buildings and improvements	(730,203)	(52,265)	-	(782,468)
Machinery and equipment	(192,877)	(45,434)	-	(238,311)
Flowage rights	(12,162)	(1,521)	-	(13,683)
Vehicles	(1,438,240)	(93,597)	-	(1,531,837)
Office equipment and furniture	(85,792)	(6,599)	-	(92,391)
Subtotal	(2,973,086)	(231,134)	-0-	(3,204,220)
Net capital assets being depreciated	2,854,927	(128,380)	-0-	2,726,547
Capital assets, net	<u>\$ 3,924,604</u>	<u>\$ (128,380)</u>	<u>\$ -0-</u>	<u>\$ 3,796,224</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 30,151
Public safety	159,894
Public works	19,965
Recreation and culture	21,124
Total depreciation expense	<u>\$ 231,134</u>

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE E: CAPITAL ASSETS - CONTINUED**

	Balance Jan. 1, 2013	Additions	Deletions	Balance Dec. 31, 2013
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 43,327	\$ 328,397	\$ -	\$ 371,724
Capital assets being depreciated				
Sewer System	14,990,754	216,616	-	15,207,370
Equipment	105,202	-	-	105,202
Subtotal	15,095,956	216,616	-0-	15,312,572
Less accumulated depreciation for:				
Sewer System	(4,811,310)	(300,343)	-	(5,111,653)
Equipment	(81,193)	(5,120)	-	(86,313)
Subtotal	(4,892,503)	(305,463)	-0-	(5,197,966)
Net capital assets being depreciated	10,203,453	(88,847)	-0-	10,114,606
Capital assets, net	<u>\$ 10,246,780</u>	<u>\$ 239,550</u>	<u>\$ -0-</u>	<u>\$ 10,486,330</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2013:

	Balance Jan. 1, 2013	Additions	Deletions/ Refunded	Balance Dec. 31, 2013	Amounts Due Within One Year
<b>Governmental activities</b>					
2000 Building Authority Bonds	\$ 500,000	\$ -	\$ (50,000)	\$ 450,000	\$ 55,000
Installment purchase agreement	58,774	-	(58,774)	-0-	-
Siren purchase agreement	111,715	-	(36,143)	75,572	37,228
Compensated absences	118,070	155,452	(137,980)	135,542	135,542
	788,559	155,452	(282,897)	661,114	227,770
<b>Business-type activities</b>					
1973 Sanitary Sewer Bonds	175,000	-	(175,000)	-0-	-
2001 Sanitary Sewer Bonds	270,000	-	(270,000)	-0-	-
2004A Sewer Bonds	2,060,000	-	(2,060,000)	-0-	-
2009 General Obligation Bonds	3,300,000	-	(100,000)	3,200,000	100,000
2013 Refunding Bonds	-	2,225,000	(20,000)	2,205,000	200,000
2013 Sewer System Bonds	-	2,800,000	-	2,800,000	60,000
Bond discounts/premiums	(48,500)	61,187	(2,929)	9,758	(2,929)
	5,756,500	5,086,187	(2,627,929)	8,214,758	357,071
	<u>\$ 6,496,559</u>	<u>\$ 5,302,826</u>	<u>\$ (2,913,755)</u>	<u>\$ 8,885,630</u>	<u>\$ 581,912</u>

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE F: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

\$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$55,000 to \$75,000 through May 1, 2020, with interest ranging from 5.50 to 5.80 percent, payable semi-annually.	\$ 450,000
\$3,500,000 Bath Township General Obligation Bonds, Series 2009, dated December 22, 2009, due in annual installments ranging from \$100,000 to \$200,000 through May 1, 2030, with interest ranging from 3.00 to 4.70 percent, payable semi-annually.	3,200,000
\$2,225,000 Bath Township General Obligation Refunding Bonds, Series 2013, dated January 30, 2013, due in annual installments ranging from \$180,000 to \$220,000 through November 1, 2024, with interest ranging from 2.00 to 2.50 percent, payable semi-annually.	2,205,000
\$2,800,000 Bath Township General Obligation Bonds, Series 2013A, dated September 4, 2013, due in annual installments ranging from \$60,000 to \$175,000 through November 1, 2038, with interest ranging from 3.00 to 4.75 percent, payable semi-annually.	<u>2,800,000</u>
	<u>\$ 8,655,000</u>

Installment Purchase Agreements

The following installment purchase agreements are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

\$111,715 Emergency Siren Installment Purchase Agreement, dated July 13, 2012, due in annual installments ranging from \$37,228 to \$38,344 through July 1, 2015, with interest of 3.00 percent annually.	<u>\$ 75,572</u>
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Advance Refunding - Current

On January 30, 2013, the Township defeased the portion of the 2001 Sanitary Sewer Bonds which were due and payable May 1, 2014 through May 1, 2019 and the 2004A Sewer Bonds which were due and payable May 1, 2014 through May 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The Township issued 2013 General Obligation Refunding Bonds in the amount of \$2,225,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Township's financial statements. At December 31, 2013, bonds due and payable May 1, 2014, through May 1, 2019, for the 2001 Sanitary Sewer Bonds in the amount of \$235,000 and bonds due and payable May 1, 2014 through May 1, 2024, for the 2004A Sewer Bonds in the amount of \$1,925,000 are considered defeased.

As a result of the advance refunding, the Township decreased its total debt service requirements by \$267,743, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$241,376.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE F: LONG-TERM DEBT - CONTINUED**

The annual requirements to pay the debt principal and interest outstanding are as follows:

Year Ending December 31,	General Obligation Bonds		Installment Purchase Agreements		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 415,000	\$ 335,425	\$ 37,228	\$ 2,267	\$ 452,228	\$ 337,692
2015	475,000	304,030	38,344	1,150	513,344	305,180
2016	485,000	289,938	-	-	485,000	289,938
2017	555,000	274,238	-	-	555,000	274,238
2018	565,000	256,323	-	-	565,000	256,323
2019-2023	2,570,000	1,010,835	-	-	2,570,000	1,010,835
2024-2028	1,735,000	610,415	-	-	1,735,000	610,415
2029-2033	1,050,000	300,015	-	-	1,050,000	300,015
2034-2038	805,000	117,553	-	-	805,000	117,553
	<u>\$ 8,655,000</u>	<u>\$ 3,498,772</u>	<u>\$ 75,572</u>	<u>\$ 3,417</u>	<u>\$ 8,730,572</u>	<u>\$ 3,502,189</u>

Compensated absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$135,542 at December 31, 2013, of which all has been classified as a current liability.

**NOTE G: RETIREMENT PLAN**

TOWNSHIP GENERAL

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE G: RETIREMENT PLAN - CONTINUED**

Annual Pension Cost

For year ended December 31, 2013, the Township's annual pension cost of \$139,249 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2011, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 1.0 % per year for 2013 through 2014 and 4.5% per year thereafter, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a ten (10) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is twenty-six (26) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial value of assets	\$ 3,639,181	\$ 4,033,653	\$ 4,404,048
Actuarial accrued liability (entry age)	4,519,531	4,970,114	5,296,788
Unfunded (overfunded) AAL	880,350	936,461	892,740
Funded ratio	81 %	81 %	83 %
Covered payroll	1,276,181	1,276,181	1,366,920
UAAL as a percentage of covered payroll	73 %	73 %	65 %

	Year Ended December 31,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual pension cost	\$ 127,714	\$ 131,628	\$ 139,249
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**BOARD MEMBERS**

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2013, Bath Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of service. The eligibility computation period is in the three (3) month period that begins with the date hired.

For the year ended December 31, 2013, the Township had a covered payroll of \$20,503. The Township made employer contributions to the retirement plan in the amount of \$2,050.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE H: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, law enforcement, crime, inland marine, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

**NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established 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 the governmental funds. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, Bath Charter Township's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, the Township Trustees are authorized to assign amounts to a specific purpose. The authorization has been delegated by the Township Trustees to the Township Superintendent.

For the classification of fund balances, Bath Charter Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Bath Charter Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE I: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balances			
Nonspendable			
Prepays	\$ 64,736	\$ -	\$ 64,736
Restricted			
Public safety	-	34,671	34,671
Street lights	-	6,052	6,052
Debt service	-	2,252	2,252
Committed			
Budget stabilization	183,210	-	183,210
Cemetery	-	87,536	87,536
Farmers' Market	927	-	927
Assigned			
Senior Center	1,065	-	1,065
Farmers' Market	10,000	-	10,000
Library	5,267	-	5,267
Capital projects	172,295	-	172,295
Unassigned	<u>2,155,908</u>	<u>-</u>	<u>2,155,908</u>
	<u>\$ 2,593,408</u>	<u>\$ 130,511</u>	<u>\$ 2,723,919</u>

**NOTE J: RESTATEMENT OF NET POSITION/FUND BALANCE**

Beginning net position of the business-type activities and the Sewer Fund were decreased by \$58,421 to reflect a change in accounting principles.

Beginning fund balance in the General Fund and nonmajor governmental funds has been increased and decreased by \$4,702, respectively, due to moving the activities of the Farmers' Market from nonmajor governmental funds to the General Fund.

**NOTE K: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented during the current year. This statement established accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the Township's fiscal year ending December 31, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending December 31, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Current property taxes				
General	\$ 1,447,733	\$ 1,447,733	\$ 1,260,356	\$ (187,377)
Police and fire	1,177,326	1,177,326	1,061,972	(115,354)
Other	122,000	122,000	60,103	(61,897)
Trailer taxes	2,000	2,000	2,119	119
Tax collection fees	152,000	152,000	151,999	(1)
Total taxes	2,901,059	2,901,059	2,536,549	(364,510)
Licenses and permits				
Franchise fees	50,000	50,000	43,981	(6,019)
Intergovernmental				
State shared revenue	900,000	900,000	863,049	(36,951)
Metro act revenue	7,500	7,500	10,919	3,419
Liquor licenses	5,000	5,000	6,742	1,742
Total intergovernmental	912,500	912,500	880,710	(31,790)
Charges for services				
Administration fees	31,000	31,000	31,000	-0-
Court fees	35,000	35,000	35,113	113
Park and recreation fees	25,000	25,000	22,816	(2,184)
Fire fees	500	500	10	(490)
Police fees	2,500	2,500	2,531	31
Other	1,000	1,000	362	(638)
Total charges for services	95,000	95,000	91,832	(3,168)
Interest and rents				
Interest - regular	177,500	177,500	(158,373)	(335,873)
Interest - tax collections	3,000	3,000	3,355	355
Rental fees	50,000	50,000	59,872	9,872
Total interest and rents	230,500	230,500	(95,146)	(325,646)
Other				
Refunds and rebates	25,000	25,000	16,169	(8,831)
Reimbursements	5,500	5,500	23,336	17,836
Other revenue	34,000	34,000	6,396	(27,604)
Total other	64,500	64,500	45,901	(18,599)
<b>TOTAL REVENUES</b>	<b>4,253,559</b>	<b>4,253,559</b>	<b>3,503,827</b>	<b>(749,732)</b>

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	<u>Budgeted Amounts</u>			Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
Current				
General government				
Township board	\$ 203,980	\$ 268,980	\$ 199,958	\$ 69,022
Supervisor	13,200	14,200	13,839	361
Superintendent	114,037	105,037	104,460	577
Elections	6,100	11,200	11,248	(48)
Assessor	131,826	121,826	118,984	2,842
Clerk	166,180	166,180	166,135	45
Board of review	4,500	4,500	1,938	2,562
Treasurer	157,370	157,370	166,748	(9,378)
Building and grounds	181,500	171,500	142,298	29,202
Other	305,646	426,646	409,745	16,901
Total general government	1,284,339	1,447,439	1,335,353	112,086
Public safety				
Police department	1,436,817	1,389,817	1,303,938	85,879
Fire department	267,684	267,684	247,732	19,952
Total public safety	1,704,501	1,657,501	1,551,670	105,831
Public works				
Department of public works	323,721	323,721	335,525	(11,804)
Recreation and culture				
Parks and recreation	71,718	62,718	54,265	8,453
Debt service				
Principal	287,000	179,900	94,917	84,983
Interest	18,000	18,000	6,220	11,780
Total debt service	305,000	197,900	101,137	96,763
Capital outlay	80,000	327,000	221,066	105,934
TOTAL EXPENDITURES	<u>3,769,279</u>	<u>4,016,279</u>	<u>3,599,016</u>	<u>417,263</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	484,280	237,280	(95,189)	(332,469)

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING (USES)				
Transfers out	<u>\$ (475,280)</u>	<u>\$ (228,280)</u>	<u>\$ (573,802)</u>	<u>\$ (345,522)</u>
Net change in fund balance (Budgetary basis)	<u>\$ 9,000</u>	<u>\$ 9,000</u>	(668,991)	<u>\$ (677,991)</u>
Budgetary perspective difference			<u>12,557</u>	
Net change in fund balance (GAAP basis)			<u>\$ (656,434)</u>	

Bath Charter Township

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2013

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2013, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Elections	\$ 11,200	\$ 11,248	\$ 48
Treasurer	157,370	166,748	9,378
Public works			
Department of public works	323,721	335,525	11,804
Transfers out	228,280	573,802	345,522

**NOTE B: BUDGET/GAAP RECONCILIATION**

Bath Charter Township budgets the activities of the Library, Senior Center, and Farmers' Market separately from the General Fund. For financial statement purposes and the GAAP-basis basic financial statements, however, the activities of the above mentioned funds are combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP budgetary basis) reconciles the change in fund balance to the GAAP-basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (Budgetary Basis)	\$ (668,991)
To adjust for revenues and expenditures generated related to various activities accounted for in separate funds	(87,593)
To remove the transfer out from the budgetary basis schedule	<u>100,150</u>
Net actual change in fund balance (GAAP Basis)	<u><u>\$ (656,434)</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

Bath Charter Township  
 General Fund  
 COMBINING BALANCE SHEET  
 December 31, 2013

	General Fund	Budget Stabilization	Library
<b>ASSETS</b>			
Cash and cash equivalents	\$ 843,274	\$ 183,210	\$ 17,636
Investments	2,662,068	-	-
Receivables			
Accounts	18,790	-	-
Taxes	1,138,445	-	-
Due from other governmental units	337,057	-	-
Due from other funds	65,899	-	-
Prepays	64,736	-	-
	<u>\$ 5,130,269</u>	<u>\$ 183,210</u>	<u>\$ 17,636</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 57,433	\$ -	\$ 12,092
Accrued wages	31,242	-	277
Accrued liabilities	25,363	-	-
	<u>114,038</u>	<u>-0-</u>	<u>12,369</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	2,623,292	-	-
<b>FUND BALANCES</b>			
Nonspendable	64,736	-	-
Committed	-	183,210	-
Assigned	172,295	-	5,267
Unassigned	2,155,908	-	-
	<u>2,392,939</u>	<u>183,210</u>	<u>5,267</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 5,130,269</u>	<u>\$ 183,210</u>	<u>\$ 17,636</u>

<u>Senior Center</u>	<u>Farmers' Market</u>	<u>Total</u>
\$ 12,481	\$ 12,361	\$ 1,068,962
-	-	2,662,068
-	-	18,790
-	-	1,138,445
-	-	337,057
-	-	65,899
-	-	64,736
<u>\$ 12,481</u>	<u>\$ 12,361</u>	<u>\$ 5,355,957</u>
\$ 11,238	\$ 1,434	\$ 82,197
178	-	31,697
-	-	25,363
11,416	1,434	139,257
-	-	2,623,292
-	-	64,736
-	927	184,137
1,065	10,000	188,627
-	-	2,155,908
<u>1,065</u>	<u>10,927</u>	<u>2,593,408</u>
<u>\$ 12,481</u>	<u>\$ 12,361</u>	<u>\$ 5,355,957</u>

Bath Charter Township

General Fund

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	General Fund	Budget Stabilization	Library
<b>REVENUES</b>			
Taxes	\$ 2,536,549	\$ -	\$ -
Licenses and permits	43,981	-	-
Intergovernmental	880,710	-	-
Charges for services	91,832	-	-
Interest and rents	(95,146)	-	-
Other	45,901	-	1,482
<b>TOTAL REVENUES</b>	<b>3,503,827</b>	<b>-0-</b>	<b>1,482</b>
<b>EXPENDITURES</b>			
Current			
General government	1,335,353	-	-
Public safety	1,551,670	-	-
Public works	335,525	-	-
Recreation and culture	54,265	-	19,939
Debt service	101,137	-	-
Capital outlay	221,066	-	17,626
<b>TOTAL EXPENDITURES</b>	<b>3,599,016</b>	<b>-0-</b>	<b>37,565</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(95,189)</b>	<b>-0-</b>	<b>(36,083)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	41,350
Transfers out	(573,802)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(573,802)</b>	<b>-0-</b>	<b>41,350</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(668,991)</b>	<b>-0-</b>	<b>5,267</b>
Fund balances, beginning of year	3,061,930	183,210	-
Fund balances, end of year	<u>\$ 2,392,939</u>	<u>\$ 183,210</u>	<u>\$ 5,267</u>

Senior Center	Farmers' Market	Total Before Eliminations	Eliminations	Total
\$ -	\$ -	\$ 2,536,549	\$ -	\$ 2,536,549
-	-	43,981	-	43,981
-	-	880,710	-	880,710
18,042	5,240	115,114	-	115,114
-	-	(95,146)	-	(95,146)
12,769	6,062	66,214	-	66,214
30,811	11,302	3,547,422	-0-	3,547,422
61,098	15,077	1,411,528	-	1,411,528
-	-	1,551,670	-	1,551,670
-	-	335,525	-	335,525
-	-	74,204	-	74,204
-	-	101,137	-	101,137
17,448	-	256,140	-	256,140
78,546	15,077	3,730,204	-0-	3,730,204
(47,735)	(3,775)	(182,782)	-0-	(182,782)
48,800	10,000	100,150	(100,150)	-0-
-	-	(573,802)	100,150	(473,652)
48,800	10,000	(473,652)	-0-	(473,652)
1,065	6,225	(656,434)	-0-	(656,434)
-	4,702	3,249,842	-	3,249,842
\$ 1,065	\$ 10,927	\$ 2,593,408	\$ -0-	\$ 2,593,408

Bath Charter Township  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET

December 31, 2013

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,547	\$ 67,963	\$ 16,622	\$ 87,548
Special assessments receivable	-	40,384	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6,547</b>	<b>\$ 108,347</b>	<b>\$ 16,622</b>	<b>\$ 87,548</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 6,448	\$ -	\$ 12
Accrued wages	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>6,448</b>	<b>-0-</b>	<b>12</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	-	95,847	-	-
<b>FUND BALANCES</b>				
Restricted	6,547	6,052	16,622	-
Committed	-	-	-	87,536
<b>TOTAL FUND BALANCES</b>	<b>6,547</b>	<b>6,052</b>	<b>16,622</b>	<b>87,536</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 6,547</b>	<b>\$ 108,347</b>	<b>\$ 16,622</b>	<b>\$ 87,548</b>

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 8,767	\$ 11,502	\$ 10,183	\$ 2,252	\$ 211,384
-	-	-	-	40,384
<u>\$ 8,767</u>	<u>\$ 11,502</u>	<u>\$ 10,183</u>	<u>\$ 2,252</u>	<u>\$ 251,768</u>
\$ 8,662	\$ -	\$ -	\$ -	\$ 15,122
105	-	-	-	105
-	-	10,183	-	10,183
8,767	-0-	10,183	-0-	25,410
-	-	-	-	95,847
-	11,502	-	2,252	42,975
-	-	-	-	87,536
-0-	11,502	-0-	2,252	130,511
<u>\$ 8,767</u>	<u>\$ 11,502</u>	<u>\$ 10,183</u>	<u>\$ 2,252</u>	<u>\$ 251,768</u>

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2013

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,054	-	-	-
Charges for services	-	-	-	27,345
Fines and forfeitures	-	-	405	-
Interest	-	-	-	-
Other				
Special assessments	-	83,370	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>2,054</b>	<b>83,370</b>	<b>405</b>	<b>27,345</b>
EXPENDITURES				
Current				
General government	-	-	-	7,002
Public safety	1,229	-	1,407	-
Public works	-	77,318	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	1,778
<b>TOTAL EXPENDITURES</b>	<b>1,229</b>	<b>77,318</b>	<b>1,407</b>	<b>8,780</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>825</b>	<b>6,052</b>	<b>(1,002)</b>	<b>18,565</b>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>825</b>	<b>6,052</b>	<b>(1,002)</b>	<b>18,565</b>
Fund balances, beginning of year	5,722	-	17,624	68,971
Fund balances, end of year	<u>\$ 6,547</u>	<u>\$ 6,052</u>	<u>\$ 16,622</u>	<u>\$ 87,536</u>

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 111,945	\$ -	\$ -	\$ -	\$ 111,945
-	10,900	-	-	12,954
9,290	-	-	-	36,635
-	-	-	-	405
-	-	-	6	6
-	-	3,181	-	86,551
-	-	6,000	-	6,000
121,235	10,900	9,181	6	254,496
-	-	-	-	7,002
153,530	3,473	-	-	159,639
-	-	-	-	77,318
-	-	-	76,763	76,763
-	-	373,782	-	375,560
153,530	3,473	373,782	76,763	696,282
(32,295)	7,427	(364,601)	(76,757)	(441,786)
32,295	-	364,601	76,756	473,652
-0-	7,427	-0-	(1)	31,866
-	4,075	-	2,253	98,645
\$ -0-	\$ 11,502	\$ -0-	\$ 2,252	\$ 130,511

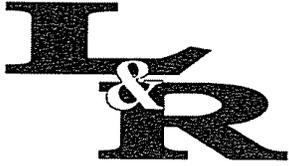
Bath Charter Township

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2013

	<u>Current Tax Collections</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 3,449,315</u>	<u>\$ 23,108</u>	<u>\$ 3,472,423</u>
<b>LIABILITIES</b>			
Due to other governmental units			
County	\$ 32,871	\$ 1,417	\$ 34,288
Schools	3,334,906	-	3,334,906
Clinton Area Transit System	38,607	-	38,607
Due to individuals and agencies	42,931	11,400	54,331
Due to developers	-	10,291	10,291
<b>TOTAL LIABILITIES</b>	<u><b>\$ 3,449,315</b></u>	<u><b>\$ 23,108</b></u>	<u><b>\$ 3,472,423</b></u>



# Layton & Richardson, P.C.

Certified Public Accountants

## LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board  
Bath Charter Township  
Bath, Michigan

In planning and performing our audit of the financial statements of Bath Charter Township for the year ended December 31, 2013, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 11, 2014, on the financial statements of Bath Charter Township

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Bath Township personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. Our comments are summarized as follows:

### **PRIOR YEAR RECOMMENDATIONS**

#### UNCLAIMED PROPERTY

The State of Michigan Department of Treasury recently made changes to the Uniform Unclaimed Property Act effective in 2012. Under this act, every business that has unclaimed property belonging to owners whose last known address is in Michigan must report and remit the property to the Michigan Department of Treasury. Unclaimed property includes uncashed payroll checks, as well as many other property types.

The annual reporting period is April 1 through March 31 with a due date of July 1. There are penalty and interest charges for property holders who fail to properly file a report. Additional information, including the *Manual for Reporting Unclaimed Property*, free holder reporting software, forms, Frequently Asked Questions, and a Webcast are available in the "Reporting Unclaimed Property" section at [www.michigan.gov/unclaimedproperty](http://www.michigan.gov/unclaimedproperty). If your organization does not have unclaimed property to report, you should complete and return the *Attestation of Compliance with Unclaimed Property Reporting* (Form 4305).

It was noted during our audit several outstanding checks issued over a year ago. We recommend that these outstanding checks be reviewed and either voided and reissued, or escheated to the State of Michigan. **Current year status: This recommendation has not been implemented.**

### **CURRENT YEAR RECOMMENDATIONS**

#### ACCOUNTS PAYABLE

During our audit, we noted several instances where invoices over \$1,000 were not approved by the Superintendent. We recommend the Township follow their policy of invoices over \$1,000 needing to be approved by the Superintendent.

1000 Coolidge Road  
East Lansing, MI 48823

(517) 332-1900  
(517) 332-2082 fax  
Info@LNRCPA.com

Merrick A. Richardson, CPA  
Principal  
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM  
Principal  
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA  
Principal  
Steve@LNRCPA.COM

## **CURRENT YEAR RECOMMENDATIONS - Concluded**

### PAYROLL

Currently, blank payroll checks are kept in an unlocked cabinet in a room that is only locked when the Clerk leaves the building. We recommend the checks be locked up at all times and that only authorized people have access. This will help prevent the improper use of the checks.

During our audit, we noted the reports being used to approve payroll checks are not being initialed and dated, indicating approval. We recommend the reports be initialed and dated after being reviewed as an additional control to show the payroll checks are indeed being reviewed and compared to the reports.

During our audit, we noted the direct deposit is transmitted before being approved by the Treasurer. We recommend the direct deposit not be transmitted until after approval by the Treasurer. This will help eliminate any errors in the direct deposit.

### BUDGETING

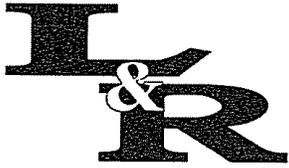
Public Act 621 of 1978, as amended, requires the adoption on a balanced budget for the general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding appropriated budget. For the year ended December 31, 2013, actual expenditures exceeded budgeted amounts in the following funds: General Fund, in the following departments: Elections, Treasurer, Department of Public Works, and Transfers Out.

We wish to express our appreciation for the cooperation offered by the staff and employees of Bath Township, whose contributions greatly facilitated the completion of our audit.



*Certified Public Accountants*

East Lansing, Michigan  
June 11, 2014



# Layton & Richardson, P.C.

*Certified Public Accountants*

To the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bath 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 October 17, 2013. 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 Bath Charter Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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.

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### *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 June 11, 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 Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

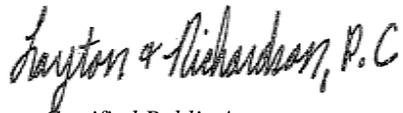
### *Other Audit Findings or Issues*

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 Township'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 Bath Charter Township, and is not intended to be and should not be used by anyone other than these specified parties.

  
*Langston & Richardson, P.C.*  
Certified Public Accountants

East Lansing, Michigan  
June 11, 2014