

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2014**

Bath Charter Township  
Clinton County, Michigan  
December 31, 2014

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Bath Charter Township

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Bath Charter Township, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Bath Charter Township, Michigan'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 risk 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 the Bath Charter Township, Michigan, as of December 31, 2014, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages ii-vi and 29-31 as well as the Schedules of Funding Progress and Employer Contributions on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bath Charter Township, Michigan's basic financial statements. The 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015, on our consideration of the Bath Charter Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bath Charter Township, Michigan's internal control over financial reporting and compliance.

***Condon, Hecht, Bisher, Wade & Co., P.C.***

Certified Public Accountants

Hillsdale, Michigan  
June 30, 2015

Bath Charter Township  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

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, 2014. 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, 2014:

- Investment earnings increased approximately \$529,174 from the prior year. The increase is the result of favorable performance of investments held by the Township.
- Total fund balances related to the Township's governmental funds increased by \$479,782.
- Capital assets, net of depreciation, decreased approximately \$305,196 from the prior year. The majority of this decrease is related to current year depreciation.

**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, 2014

**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, 2014 and 2013:

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 5,977,964	\$ 5,615,436	\$ 5,792,837	\$ 5,743,702	\$ 11,770,801	\$ 11,359,138
Capital assets, net	3,758,119	3,796,224	10,219,239	10,486,330	13,977,358	14,282,554
Total assets	9,736,083	9,411,660	16,012,076	16,230,032	25,748,159	25,641,692
Deferred outflows of resources	-	-	54,167	59,583	54,167	59,583
<b>Liabilities</b>						
Current liabilities	361,959	387,618	864,665	763,711	1,226,624	1,151,329
Noncurrent liabilities	340,000	433,344	7,430,696	7,857,687	7,770,696	8,291,031
Total liabilities	701,959	820,962	8,295,361	8,621,398	8,997,320	9,442,360
Deferred inflows of resources	2,623,137	2,573,910	-	-	2,623,137	2,573,910



Bath Charter Township  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**The Township as a Whole - continued**

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2014	2013	2014	2013	2014	2013
Net position						
Net investment in capital assets	\$ 3,324,775	\$ 3,270,652	\$ 4,478,072	\$ 2,271,572	\$ 7,802,847	\$ 5,542,224
Restricted	81,586	40,723	-	-	81,586	40,723
Unrestricted	3,004,626	2,705,413	3,292,810	5,396,645	6,297,436	8,102,058
Total net position	<u>\$ 6,410,987</u>	<u>\$ 6,016,788</u>	<u>\$ 7,770,882</u>	<u>\$ 7,668,217</u>	<u>\$ 14,181,869</u>	<u>\$ 13,685,005</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 \$14,181,869 as of December 31, 2014. A significant portion of the Township's net position (55 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 (\$6,297,436) 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 increased by \$496,864 during the current year as discussed below.

	Governmental Activities December 31,		Business-type Activities December 31,		Totals December 31,	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue:						
Charges for services	\$ 654,232	\$ 530,147	\$ 1,470,109	\$ 1,460,066	\$ 2,124,341	\$ 1,990,213
Operating grants and contributions	198,134	162,875	-	-	198,134	162,875
Capital grants and contributions	-	3,181	220,414	394,967	220,414	398,148
General revenue:						
Property taxes	2,281,093	2,326,798	-	-	2,281,093	2,326,798
State shared revenue	901,471	862,191	-	-	901,471	862,191
Investment earnings	288,913	(155,012)	97,372	12,123	386,285	(142,889)
Equity interest in SCCMUA	-	-	111,756	46,948	111,756	46,948
Miscellaneous	42,313	70,880	78,417	-	120,730	70,880
Total revenue	<u>4,366,156</u>	<u>3,801,060</u>	<u>1,978,068</u>	<u>1,914,104</u>	<u>6,344,224</u>	<u>5,715,164</u>
Program Expenses						
General government	1,293,513	1,871,546	-	-	1,293,513	1,871,546
Public safety	1,950,167	2,018,684	-	-	1,950,167	2,018,684
Public works	588,397	453,857	-	-	588,397	453,857
Recreation and cultural	114,759	50,351	-	-	114,759	50,351
Sewer system	-	-	1,869,403	1,621,150	1,869,403	1,621,150
Water system	-	-	6,000	6,000	6,000	6,000
Interest on long-term debt	25,121	29,432	-	-	25,121	29,432
Total program expenses	<u>3,971,957</u>	<u>4,423,870</u>	<u>1,875,403</u>	<u>1,627,150</u>	<u>5,847,360</u>	<u>6,051,020</u>
Change in Net Position	<u>\$ 394,199</u>	<u>\$ (622,810)</u>	<u>\$ 102,665</u>	<u>\$ 286,954</u>	<u>\$ 496,864</u>	<u>\$ (335,856)</u>

Bath Charter Township  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2014

**Governmental Activities**

Governmental activities increased the Township's net position by \$394,199 during fiscal year 2014. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$4,366,156 with the greatest revenue source being property taxes. Tax revenues decreased approximately \$45,705. Investment earnings increased \$443,925 and state shared revenue increased approximately \$39,280 during 2014.

The Township incurred expenses of \$3,971,957 during the year which was \$451,913 less 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 \$102,665 during fiscal year 2014. The increase in net position was partially due to an increase in the Township's equity interest in SCCMUA operations. The majority (74%) 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, 2014 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 \$1,565,838 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 \$5,276,550 and \$127,820, respectively. Net position for the Sewer System Fund increased by \$90,345 and the net position for the Water System Fund increased by \$12,320 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 amendments were made to recognize differences in anticipated revenues, to reign in and reallocate expenditures, and delay anticipated capital projects.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$22,917,277 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, 2014, the capital asset amount reflected above included \$286,887 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, 2014

**Capital Asset and Debt Administration - continued**

**Long-term Debt.** The Township made principal payments on existing obligations in the amount of \$452,228. The carrying amount of the Township's obligation for compensated absences decreased by \$4,208. Refer to Note F on pages 23 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.

**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, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 2,557,322	\$ 1,030,945	\$ 3,588,267
Investments	227,874	1,165,465	1,393,339
Receivables	1,172,983	361,753	1,534,736
Due from other governmental units	156,261	-	156,261
Prepays	82,438	-	82,438
Internal balances	236,716	(236,716)	-0-
Total current assets	4,433,594	2,321,447	6,755,041
Noncurrent assets			
Investments	1,544,370	486,978	2,031,348
Investment in SCCMUA	-	2,984,412	2,984,412
Capital assets not being depreciated	1,130,628	286,887	1,417,515
Capital assets, net of accumulated depreciation	2,627,491	9,932,352	12,559,843
Total noncurrent assets	5,302,489	13,690,629	18,993,118
TOTAL ASSETS	9,736,083	16,012,076	25,748,159
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	54,167	54,167
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	81,999	60,474	142,473
Accrued wages	30,350	-	30,350
Accrued liabilities	20,883	-	20,883
Accrued interest payable	4,049	47,572	51,621
Unearned revenue	-	334,588	334,588
Current portion of compensated absences	131,334	-	131,334
Current portion of long-term debt	93,344	422,031	515,375
Total current liabilities	361,959	864,665	1,226,624
Noncurrent liabilities			
Noncurrent portion of long-term debt	340,000	7,430,696	7,770,696
TOTAL LIABILITIES	701,959	8,295,361	8,997,320
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	2,623,137	-	2,623,137
<b>NET POSITION</b>			
Net investment in capital assets	3,324,775	4,478,072	7,802,847
Restricted for public safety	57,730	-	57,730
Restricted for street lights	23,856	-	23,856
Unrestricted	3,004,626	3,292,810	6,297,436
TOTAL NET POSITION	\$ 6,410,987	\$ 7,770,882	\$ 14,181,869

See accompanying notes to financial statements.

Bath Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

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	\$ 1,293,513	\$ 386,565	\$ 91,152	\$ -	\$ (815,796)	\$ -	\$ (815,796)
Public safety	1,950,167	250,386	10,100	-	(1,689,681)	-	(1,689,681)
Public works	588,397	-	96,167	-	(492,230)	-	(492,230)
Recreation and culture	114,759	17,281	715	-	(96,763)	-	(96,763)
Interest expense	25,121	-	-	-	(25,121)	-	(25,121)
Total governmental activities	3,971,957	654,232	198,134	-0-	(3,119,591)	-0-	(3,119,591)
Business-type activities							
Sewer system	1,869,403	1,466,309	-	220,414	-	(182,680)	(182,680)
Water system	6,000	3,800	-	-	-	(2,200)	(2,200)
Total business-type activities	1,875,403	1,470,109	-0-	220,414	-0-	(184,880)	(184,880)
Total government	<u>\$ 5,847,360</u>	<u>\$ 2,124,341</u>	<u>\$ 198,134</u>	<u>\$ 220,414</u>	(3,119,591)	(184,880)	(3,304,471)
General revenues							
Property taxes					2,281,093	-	2,281,093
State shared revenue					901,471	-	901,471
Investment earnings					288,913	97,372	386,285
Equity interest in SCCMUA operations					-	111,756	111,756
Miscellaneous					42,313	78,417	120,730
Total general revenues					3,513,790	287,545	3,801,335
Change in net position					394,199	102,665	496,864
Net position, beginning of the year					6,016,788	7,668,217	13,685,005
Net position, end of the year					<u>\$ 6,410,987</u>	<u>\$ 7,770,882</u>	<u>\$ 14,181,869</u>

See accompanying notes to financial statements.

Bath Charter Township

Governmental Funds

BALANCE SHEET

December 31, 2014

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,231,110	\$ 308,318	\$ 2,539,428
Investments	1,772,244	-	1,772,244
Receivables			
Accounts	3,760	-	3,760
Taxes	1,132,625	-	1,132,625
Special assessments	-	36,598	36,598
Due from other governmental units	156,261	-	156,261
Due from other funds	246,899	-	246,899
Prepays	82,411	27	82,438
<b>TOTAL ASSETS</b>	<b>\$ 5,625,310</b>	<b>\$ 344,943</b>	<b>\$ 5,970,253</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 70,231	\$ 11,768	\$ 81,999
Accrued wages	30,223	127	30,350
Accrued liabilities	20,883	-	20,883
Due to other funds	-	10,183	10,183
<b>TOTAL LIABILITIES</b>	<b>121,337</b>	<b>22,078</b>	<b>143,415</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	2,530,580	92,557	2,623,137
<b>FUND BALANCES</b>			
Nonspendable	82,411	27	82,438
Restricted	-	83,843	83,843
Committed	185,312	146,438	331,750
Assigned	204,532	-	204,532
Unassigned	2,501,138	-	2,501,138
<b>TOTAL FUND BALANCES</b>	<b>2,973,393</b>	<b>230,308</b>	<b>3,203,701</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 5,625,310</b>	<b>\$ 344,943</b>	<b>\$ 5,970,253</b>

See accompanying notes to financial statements.

Bath Charter Township

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

December 31, 2014

**Total fund balance - governmental funds** **\$ 3,203,701**

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	\$ 7,188,883	
Accumulated depreciation is	<u>(3,430,764)</u>	
Capital assets, net		3,758,119

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 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	(131,334)	
Accrued interest payable	(4,049)	
Bonds and notes payable	<u>(433,344)</u>	
		<u>(568,727)</u>

<b>Net position of governmental activities</b>	<b><u><u>\$ 6,410,987</u></u></b>
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See accompanying notes to financial statements.



Bath Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2014

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 2,492,095	\$ -	\$ 2,492,095
Licenses and permits	44,935	229,328	274,263
Intergovernmental	1,093,582	10,100	1,103,682
Charges for services	120,860	28,308	149,168
Fines and forfeits	-	2,238	2,238
Interest and rents	344,283	5	344,288
Other	48,569	97,082	145,651
<b>TOTAL REVENUES</b>	<b>4,144,324</b>	<b>367,061</b>	<b>4,511,385</b>
<b>EXPENDITURES</b>			
Current			
General government	1,305,644	4,901	1,310,545
Public safety	1,565,838	229,456	1,795,294
Public works	500,573	78,043	578,616
Recreation and culture	99,102	-	99,102
Debt service	39,795	78,869	118,664
Capital outlay	127,018	2,364	129,382
<b>TOTAL EXPENDITURES</b>	<b>3,637,970</b>	<b>393,633</b>	<b>4,031,603</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>506,354</b>	<b>(26,572)</b>	<b>479,782</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	126,369	126,369
Transfers out	(126,369)	-	(126,369)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(126,369)</b>	<b>126,369</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>379,985</b>	<b>99,797</b>	<b>479,782</b>
Fund balances, beginning of year	2,593,408	130,511	2,723,919
Fund balances, end of year	\$ 2,973,393	\$ 230,308	\$ 3,203,701

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, 2014

**Net change in fund balances - total governmental funds** **\$ 479,782**

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	\$	210,695	
Depreciation expense		(248,800)	
Excess of depreciation expense over capital outlay			(38,105)

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: (145,229)

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	92,228
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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	1,315		
Decrease in compensated absences		4,208	
			5,523

**Change in net position of governmental activities** **\$ 394,199**

Bath Charter Township  
Proprietary Funds  
STATEMENT OF NET POSITION  
December 31, 2014

	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	\$ 1,022,171	\$ 8,774	\$ 1,030,945	\$ 17,894
Investments	1,133,292	32,173	1,165,465	-
Receivables				
Accounts	358,955	-	358,955	-
Special assessments	2,798	-	2,798	-
Total current assets	2,517,216	40,947	2,558,163	17,894
Noncurrent assets				
Investments	353,105	133,873	486,978	-
Investment in SCCMUA	2,984,412	-	2,984,412	-
Capital assets not being depreciated	286,887	-	286,887	-
Capital assets, net of accumulated depreciation	9,932,352	-	9,932,352	-
Total noncurrent assets	13,556,756	133,873	13,690,629	-0-
<b>TOTAL ASSETS</b>	<b>16,073,972</b>	<b>174,820</b>	<b>16,248,792</b>	<b>17,894</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	54,167	-	54,167	-
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	60,474	-	60,474	-
Accrued interest payable	47,572	-	47,572	-
Due to other funds	189,716	47,000	236,716	-
Unearned revenue	334,588	-	334,588	-
Current portion of long-term debt	422,031	-	422,031	-
Total current liabilities	1,054,381	47,000	1,101,381	-0-
Noncurrent liabilities				
Noncurrent portion of long-term debt	7,430,696	-	7,430,696	-
<b>TOTAL LIABILITIES</b>	<b>8,485,077</b>	<b>47,000</b>	<b>8,532,077</b>	<b>-0-</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,478,072	-	4,478,072	-
Unrestricted	3,164,990	127,820	3,292,810	17,894
<b>TOTAL NET POSITION</b>	<b>\$ 7,643,062</b>	<b>\$ 127,820</b>	<b>\$ 7,770,882</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, 2014

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
OPERATING REVENUES				
Charges for services	\$ 1,466,309	\$ 3,800	\$ 1,470,109	\$ -
OPERATING EXPENSES				
Contractual services	1,235,548	-	1,235,548	-
Administrative expenses	25,000	6,000	31,000	-
Other	5	-	5	-
Depreciation	311,189	-	311,189	-
TOTAL OPERATING EXPENSES	1,571,819	6,000	1,577,819	-0-
OPERATING (LOSS)	(105,510)	(2,200)	(107,710)	-0-
NONOPERATING REVENUES (EXPENSES)				
Equity interest in 2014 SCCMUA operations	111,756	-	111,756	-
Tap in fees	64,375	-	64,375	-
Special assessments	3,630	-	3,630	-
Interest revenue	82,852	14,520	97,372	-
Paying agent fees	(1,000)	-	(1,000)	-
Interest expense	(293,199)	-	(293,199)	-
Amortization of deferred charges	(3,385)	-	(3,385)	-
Grant revenue	152,409	-	152,409	-
Refunds and reimbursements	78,417	-	78,417	-
TOTAL NONOPERATING REVENUES (EXPENSES)	195,855	14,520	210,375	-0-
CHANGE IN NET POSITION	90,345	12,320	102,665	-0-
Net position, beginning of year	7,552,717	115,500	7,668,217	17,894
Net position, end of year	\$ 7,643,062	\$ 127,820	\$ 7,770,882	\$ 17,894

See accompanying notes to financial statements.

Bath Charter Township  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2014

	Business-type Activities			Governmental Activities
	Sewer System	Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 1,505,751	\$ 3,800	\$ 1,509,551	\$ -
Cash paid to suppliers	(1,032,876)	-	(1,032,876)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	472,875	3,800	476,675	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Tap in fees	64,375	-	64,375	-
Special assessments	3,630	-	3,630	-
Interest paid	(311,557)	-	(311,557)	-
Payments on borrowings	(360,000)	-	(360,000)	-
Capital acquisitions	(44,098)	-	(44,098)	-
Paying agent fees	(1,000)	-	(1,000)	-
Other receipts	78,417	-	78,417	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(570,233)	-0-	(570,233)	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(615,849)	(166,046)	(781,895)	-
Maturity of investments	450,000	142,137	592,137	-
Interest received	82,852	14,520	97,372	-
NET CASH (USED) BY INVESTING ACTIVITIES	(82,997)	(9,389)	(92,386)	-0-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(180,355)	(5,589)	(33,535)	-0-
Cash and cash equivalents, beginning of year	1,050,117	14,363	1,064,480	17,894
Cash and cash equivalents, end of year	<u>\$ 869,762</u>	<u>\$ 8,774</u>	<u>\$ 1,030,945</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, 2014

	Business-type Activities			Governmental Activities
		Nonmajor Enterprise Fund (Water System)	Total	Internal Service Fund (Employee Sick and Vacation)
	Sewer System			
Reconciliation of operating (loss) to net cash provided by operating activities				
Operating (loss)	\$ (105,510)	\$ (2,200)	\$ (107,710)	\$ -
Adjustments to reconcile operating (loss) to net cash provided by operating activities				
Depreciation	311,189	-	311,189	-
Decrease in:				
Receivables	37,844	-	37,844	-
Increase in:				
Accounts payable	52,754	-	52,754	-
Due to other funds	175,000	6,000	181,000	-
Unearned revenue	1,598	-	1,598	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 472,875</u>	<u>\$ 3,800</u>	<u>\$ 476,675</u>	<u>\$ -0-</u>

Note: The Township also adjusted its equity interest in 2014 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$111,756, to reflect the current year activity at SCCMUA.

Bath Charter Township  
Fiduciary Funds  
STATEMENT OF ASSETS AND LIABILITIES  
December 31, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,906,063</u>
LIABILITIES	
Due to other governmental units	
County	\$ 55,379
Schools	2,767,730
Clinton Area Transit System	40,343
Due to individuals and agencies	30,579
Due to developers	<u>12,032</u>
TOTAL LIABILITIES	<u>\$ 2,906,063</u>

See accompanying notes to financial statements.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**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, 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, 2014.

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, 2014

**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, 2014, Bath Charter Township contributed \$1,018,600 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, 2014, 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, 2013. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2013, the Commission had total assets of \$1,058,584; total liabilities of \$14,403, and total net position of \$1,044,181. For the year ended December 31, 2013, the Commission had total operating revenues of \$280,664; total operating expenses of \$373,047; and a decrease in net position of \$80,812.

**4. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities (the government-wide financial 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 financial 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.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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 financial 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 fund balance.

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

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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 December 15, 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, 2014

**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, 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 2014 tax is levied and collectible on December 31, 2014, 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, 2014, 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 2013 levy for property within the Township was \$356,068,737.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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. 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

**13. Unearned Revenue**

Unearned revenue consists of sewer usage fees the Township bills in advance of services provided.

**14. 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, 2014, were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

**15. 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.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

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

**16. 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 that time.

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 position and governmental funds balance sheet reports unavailable revenues related to taxes levied for subsequent years. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

**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.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

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

5. Bankers acceptances of United States banks.
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, 2014, the carrying amounts of the Township's deposits were \$8,306,491 and the bank balance was \$7,569,820, of which \$3,413,658 was covered by federal depository insurance. The remaining balance of \$4,156,162 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, 2014, 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	\$ 26,020	20 years	AA-	1.61%
Center Line Michigan Public Schools	10,022	6.2 years	N/R	0.62%
Roseville Michigan Community Schools	216,428	.33 years	AA-	13.42%
Oakland Macomb County Community Schools	126,384	2.2 years	AA+	7.84%
Buena Vista Township Michigan	51,180	17 years	N/R	3.17%
Federal Home Loan Mortgage Corporation	457,165	19.2 years	AAA	28.35%
Government National Mortgage Association	440,557	20.4 years	AAA	27.32%
Federal National Mortgage Association	210,366	27.8 years	AAA	13.05%
	1,538,122			
Uncategorized pooled investment funds	74,404	N/A	N/A	4.61%
	<u>\$ 1,612,526</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, 2014, the Township's investments were rated by Moody's as noted above.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

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

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.

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, 2014:

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	\$ 3,588,267	\$ 2,906,063	\$ 6,494,330
Investments - current	1,393,339	-	1,393,339
Investments - noncurrent	2,031,348	-	2,031,348
	<u>\$ 7,012,954</u>	<u>\$ 2,906,063</u>	<u>\$ 9,919,017</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2014, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 189,716
Nonmajor governmental funds	10,183
Nonmajor enterprise fund	47,000
	<u>\$ 246,899</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.



Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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	\$ 126,369

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

**NOTE E: CAPITAL ASSETS**

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

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 1,069,677	\$ 60,951	\$ -	\$ 1,130,628
Capital assets being depreciated				
Land improvements	836,917	38,144	-	875,061
Buildings and improvements	2,319,234	6,925	-	2,326,159
Machinery and equipment	564,575	68,772	(17,256)	616,091
Flowage rights	76,017	-	-	76,017
Vehicles	2,035,037	35,903	-	2,070,940
Office equipment and furniture	98,987	-	(5,000)	93,987
Subtotal	5,930,767	149,744	(22,256)	6,058,255
Less accumulated depreciation for:				
Land improvements	(545,530)	(33,324)	-	(578,854)
Buildings and improvements	(782,468)	(53,621)	-	(836,089)
Machinery and equipment	(238,311)	(44,136)	7,190	(275,257)
Flowage rights	(13,683)	(1,520)	-	(15,203)
Vehicles	(1,531,837)	(99,534)	-	(1,631,371)
Office equipment and furniture	(92,391)	(6,599)	5,000	(93,990)
Subtotal	(3,204,220)	(238,734)	12,190	(3,430,764)
Net capital assets being depreciated	2,726,547	(88,990)	(10,066)	2,627,491
Capital assets, net	<u>\$ 3,796,224</u>	<u>\$ (28,039)</u>	<u>\$ (10,066)</u>	<u>\$ 3,758,119</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE E: CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the following governmental activities:

General government	\$ 37,539
Public safety	162,652
Public works	26,027
Recreation and culture	<u>22,582</u>
Total depreciation expense	<u>\$ 248,800</u>

The current year depreciation expense in the Governmental Activities of \$238,734 has been adjusted by \$10,066 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

	Balance Jan. 1, 2014	Additions	Deletions	Balance Dec. 31, 2014
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ 371,724	\$ 11,218	\$ (96,055)	\$ 286,887
Capital assets being depreciated				
Sewer System	15,207,370	128,935	-	15,336,305
Equipment	<u>105,202</u>	<u>-</u>	<u>-</u>	<u>105,202</u>
Subtotal	15,312,572	128,935	-0-	15,441,507
Less accumulated depreciation for:				
Sewer System	(5,111,653)	(306,069)	-	(5,417,722)
Equipment	<u>(86,313)</u>	<u>(5,120)</u>	<u>-</u>	<u>(91,433)</u>
Subtotal	<u>(5,197,966)</u>	<u>(311,189)</u>	<u>-0-</u>	<u>(5,509,155)</u>
Net capital assets being depreciated	<u>10,114,606</u>	<u>(182,254)</u>	<u>-0-</u>	<u>9,932,352</u>
Capital assets, net	<u>\$ 10,486,330</u>	<u>\$ (171,036)</u>	<u>\$ (96,055)</u>	<u>\$ 10,219,239</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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, 2014:

	Balance Jan. 1, 2014	Additions	Deletions/ Refunded	Balance Dec. 31, 2014	Amounts Due Within One Year
<b>Governmental activities</b>					
2000 Building Authority Bonds	\$ 450,000	\$ -	\$ (55,000)	\$ 395,000	\$ 55,000
Siren purchase agreement	75,572	-	(37,228)	38,344	38,344
Compensated absences	135,542	168,562	(172,770)	131,334	131,334
	661,114	168,562	(264,998)	564,678	224,678
<b>Business-type activities</b>					
2009 General Obligation Bonds	3,200,000	-	(100,000)	3,100,000	150,000
2013 Refunding Bonds	2,205,000	-	(200,000)	2,005,000	200,000
2013 Sewer System Bonds	2,800,000	-	(60,000)	2,740,000	70,000
Bond discounts/premiums	9,758	-	(2,031)	7,727	2,031
	8,214,758	-0-	(362,031)	7,852,727	422,031
	<u>\$ 8,875,872</u>	<u>\$ 168,562</u>	<u>\$ (627,029)</u>	<u>\$ 8,417,405</u>	<u>\$ 646,709</u>

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.	\$ 395,000
\$3,500,000 Bath Township General Obligation Bonds, Series 2009, dated December 22, 2009, due in annual installments ranging from \$150,000 to \$200,000 through May 1, 2030, with interest ranging from 3.00 to 4.70 percent, payable semi-annually.	3,100,000
\$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.	2,005,000
\$2,800,000 Bath Township General Obligation Bonds, Series 2013A, dated September 4, 2013, due in annual installments ranging from \$70,000 to \$175,000 through November 1, 2038, with interest ranging from 3.00 to 4.75 percent, payable semi-annually.	2,740,000
	<u>\$ 8,240,000</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

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

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 a final installment of \$38,344 on July 1, 2015, with interest of 3.00 percent annually. \$ 38,344

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, 2014, bonds due and payable May 1, 2015, through May 1, 2019, for the 2001 Sanitary Sewer Bonds in the amount of \$200,000 and bonds due and payable May 1, 2015 through May 1, 2024, for the 2004A Sewer Bonds in the amount of \$1,785,000 are considered defeased.

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
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	575,000	237,733	-	-	575,000	237,733
2020-2024	2,495,000	924,665	-	-	2,495,000	924,665
2025-2029	1,555,000	540,015	-	-	1,555,000	540,015
2030-2034	880,000	257,090	-	-	880,000	257,090
2035-2038	655,000	79,315	-	-	655,000	79,315
	<u>\$ 8,240,000</u>	<u>\$ 3,163,347</u>	<u>\$ 38,344</u>	<u>\$ 1,150</u>	<u>\$ 8,278,344</u>	<u>\$ 3,164,497</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 \$131,334 at December 31, 2014, of which all has been classified as a current liability.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**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. Plan benefit provisions were established and may be amended under the authority of Township ordinances. 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.

**Annual Pension Cost**

For year ended December 31, 2014, the Township's annual pension cost of \$131,813 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, 2012, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 1.0 percent, 2.0 percent and 3.0 percent for calendar years 2014, 2015 and 2016, respectively, then 4.5 percent per year thereafter, compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 13% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over twenty-six (26) years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

	December 31, 2013
Actuarial value of assets	\$ 4,843,889
Actuarial accrued liability (entry age)	5,721,532
Unfunded (overfunded) AAL	877,643
Funded ratio	85%
Covered payroll	\$ 1,315,690
UAAL as a percentage of covered payroll	67%

The information presented above was determined as part of the most recent actuarial valuation. The schedule of funding progress, presented as RSI, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE G: RETIREMENT PLAN - CONTINUED**

Three (3) year trend information

	Year Ended December 31,		
	2012	2013	2014
Annual pension cost	\$ 131,628	\$ 139,249	\$ 131,813
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

**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 pre-established 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, 2014, 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, 2014, the Township had a covered payroll of \$21,130. The Township made employer contributions to the retirement plan in the amount of \$2,113.

**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.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE 1: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*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.

	General Fund	Nonmajor Funds	Total
Fund Balances			
Nonspendable			
Prepays	\$ 82,411	\$ 27	\$ 82,438
Restricted			
Public safety	-	57,730	57,730
Street lights	-	23,856	23,856
Debt service	-	2,257	2,257
Committed			
Budget stabilization	183,210	-	183,210
Cemetery	-	100,619	100,619
Farmers' Market	2,102	-	2,102
Capital projects	-	45,819	45,819
Assigned			
Senior Center	8,855	-	8,855
Farmers' Market	10,000	-	10,000
Library	13,382	-	13,382
Capital projects	172,295	-	172,295
Unassigned	2,501,138	-	2,501,138
	<u>\$ 2,973,393</u>	<u>\$ 230,308</u>	<u>\$ 3,203,701</u>

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE J: 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 year ending December 31, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015 year.

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016 year.



## **REQUIRED SUPPLEMENTARY INFORMATION**

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current property taxes				
General	\$ 1,363,890	\$ 1,139,312	\$ 1,223,132	\$ 83,820
Police and fire	1,094,483	1,060,641	1,053,468	(7,173)
Other	46,000	98,585	51,446	(47,139)
Trailer taxes	2,000	2,000	2,134	134
Tax collection fees	155,000	157,575	161,915	4,340
Total taxes	2,661,373	2,458,113	2,492,095	33,982
Licenses and permits				
Franchise fees	36,000	44,357	44,935	578
Intergovernmental				
State grants	-	27,405	27,405	-0-
State shared revenue	867,863	867,863	1,046,700	178,837
Metro act revenue	7,500	10,314	10,314	-0-
Liquor licenses	6,300	7,640	7,998	358
Total intergovernmental	881,663	913,222	1,092,417	179,195
Charges for services				
Administration fees	31,000	31,000	31,000	-0-
Court fees	32,441	38,808	41,338	2,530
Park and recreation fees	31,000	26,000	17,281	(8,719)
Fire fees	-	-	20	20
Police fees	2,500	2,500	2,341	(159)
Other	500	500	2,787	2,287
Total charges for services	97,441	98,808	94,767	(4,041)
Interest and rents				
Interest - regular	120,000	174,421	284,642	110,221
Interest - tax collections	2,000	4,132	4,266	134
Rental fees	60,000	60,000	55,375	(4,625)
Total interest and rents	182,000	238,553	344,283	105,730
Other				
Refunds and rebates	8,000	2,000	1,351	(649)
Reimbursements	7,500	19,879	21,489	1,610
Other revenue	9,000	4,000	3,206	(794)
Total other	24,500	25,879	26,366	487
TOTAL REVENUES	3,882,977	3,778,932	4,094,863	315,931

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current				
General government				
Township board	\$ 234,616	\$ 206,181	\$ 194,843	\$ 11,338
Supervisor	14,040	14,040	13,187	853
Superintendent	128,598	82,750	76,376	6,374
Elections	29,300	29,300	20,423	8,877
Assessor	163,424	138,424	118,686	19,738
Clerk	172,611	179,430	163,775	15,655
Board of review	4,600	4,600	1,924	2,676
Treasurer	160,550	172,215	165,957	6,258
Building and grounds	181,500	166,500	136,964	29,536
Other	466,537	338,771	320,858	17,913
Total general government	1,555,776	1,332,211	1,212,993	119,218
Public safety				
Police department	1,334,012	1,367,153	1,339,539	27,614
Fire department	308,868	282,961	226,299	56,662
Total public safety	1,642,880	1,650,114	1,565,838	84,276
Public works				
Department of public works	551,545	501,659	500,573	1,086
Recreation and culture				
Parks and recreation	84,854	67,854	49,340	18,514
Debt service				
Principal	37,228	37,228	37,228	-0-
Interest	2,267	2,267	2,567	(300)
Total debt service	39,495	39,495	39,795	(300)
Capital outlay	157,000	112,250	111,193	1,057
TOTAL EXPENDITURES	4,031,550	3,703,583	3,479,732	223,851
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(148,573)	75,349	615,131	539,782

Bath Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING (USES)				
Transfers out	<u>\$ (612,157)</u>	<u>\$ (232,875)</u>	<u>\$ (252,226)</u>	<u>\$ (19,351)</u>
Net change in fund balance (Budgetary basis)	<u>\$ (760,730)</u>	<u>\$ (157,526)</u>	362,905	<u>\$ 520,431</u>
Budgetary perspective difference			<u>17,080</u>	
Net change in fund balance (GAAP basis)			<u>\$ 379,985</u>	

Bath Charter Township

Defined Benefit Pension Plan

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2014

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/2013	\$ 4,843,889	\$ 5,721,532	\$ 877,643	85%	\$ 1,315,690	67%
12/31/2012	4,404,048	5,296,788	892,740	83%	1,366,920	65%
12/31/2011	4,033,653	4,970,114	936,461	81%	1,286,181	73%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2014	\$ 131,813	100%	\$ -
2013	139,249	100%	-
2012	131,628	100%	-

Bath Charter Township

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2014

**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, 2014, 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			
Debt service			
Interest	\$ 2,267	\$ 2,567	\$ 300

**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)	\$ 362,905
To adjust for revenues and expenditures generated related to various activities accounted for in separate funds	(108,777)
To remove transfers out from the budgetary basis schedule	<u>125,857</u>
Net actual change in fund balance (GAAP Basis)	<u><u>\$ 379,985</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

Bath Charter Township  
General Fund  
COMBINING BALANCE SHEET  
December 31, 2014

	General Fund	Budget Stabilization	Library
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,998,636	\$ 183,210	\$ 13,760
Investments	1,772,244	-	-
Receivables			
Accounts	3,760	-	-
Taxes	1,132,625	-	-
Due from other governmental units	156,261	-	-
Due from other funds	246,899	-	-
Prepays	81,897	-	514
<b>TOTAL ASSETS</b>	<u>\$ 5,392,322</u>	<u>\$ 183,210</u>	<u>\$ 14,274</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 55,400	\$ -	\$ 666
Accrued wages	29,615	-	226
Accrued liabilities	20,883	-	-
<b>TOTAL LIABILITIES</b>	105,898	-0-	892
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes levied for subsequent year	2,530,580	-	-
<b>FUND BALANCES</b>			
Nonspendable	81,897	-	-
Committed	-	183,210	-
Assigned	172,295	-	13,382
Unassigned	2,501,652	-	-
<b>TOTAL FUND BALANCES</b>	<u>2,755,844</u>	<u>183,210</u>	<u>13,382</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 5,392,322</u>	<u>\$ 183,210</u>	<u>\$ 14,274</u>



Senior Center	Farmers' Market	Total
\$ 23,395	\$ 12,109	\$ 2,231,110
-	-	1,772,244
-	-	3,760
-	-	1,132,625
-	-	156,261
-	-	246,899
-	-	82,411
<u>\$ 23,395</u>	<u>\$ 12,109</u>	<u>\$ 5,625,310</u>
\$ 14,158	\$ 7	\$ 70,231
382	-	30,223
-	-	20,883
14,540	7	121,337
-	-	2,530,580
-	-	81,897
-	2,102	185,312
8,855	10,000	204,532
-	-	2,501,652
<u>8,855</u>	<u>12,102</u>	<u>2,973,393</u>
<u>\$ 23,395</u>	<u>\$ 12,109</u>	<u>\$ 5,625,310</u>

Bath Charter Township

General Fund

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

Year Ended December 31, 2014

	General Fund	Budget Stabilization	Library
REVENUES			
Taxes	\$ 2,492,095	\$ -	\$ -
Licenses and permits	44,935	-	-
Intergovernmental	1,092,417	-	-
Charges for services	94,767	-	-
Interest and rents	344,283	-	-
Other	26,366	-	2,228
TOTAL REVENUES	4,094,863	-0-	2,228
EXPENDITURES			
Current			
General government	1,212,993	-	-
Public safety	1,565,838	-	-
Public works	500,573	-	-
Recreation and culture	49,340	-	49,762
Debt service	39,795	-	-
Capital outlay	111,193	-	808
TOTAL EXPENDITURES	3,479,732	-0-	50,570
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	615,131	-0-	(48,342)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	56,457
Transfers out	(252,226)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(252,226)	-0-	56,457
NET CHANGE IN FUND BALANCES	362,905	-0-	8,115
Fund balances, beginning of year	2,392,939	183,210	5,267
Fund balances, end of year	\$ 2,755,844	\$ 183,210	\$ 13,382

Senior Center	Farmers' Market	Total Before Eliminations	Eliminations	Total
\$ -	\$ -	\$ 2,492,095	\$ -	\$ 2,492,095
-	-	44,935	-	44,935
-	1,165	1,093,582	-	1,093,582
19,858	6,235	120,860	-	120,860
-	-	344,283	-	344,283
13,142	6,833	48,569	-	48,569
33,000	14,233	4,144,324	-0-	4,144,324
69,593	23,058	1,305,644	-	1,305,644
-	-	1,565,838	-	1,565,838
-	-	500,573	-	500,573
-	-	99,102	-	99,102
-	-	39,795	-	39,795
15,017	-	127,018	-	127,018
84,610	23,058	3,637,970	-0-	3,637,970
(51,610)	(8,825)	506,354	-0-	506,354
59,400	10,000	125,857	(125,857)	-0-
-	-	(252,226)	125,857	(126,369)
59,400	10,000	(126,369)	-0-	(126,369)
7,790	1,175	379,985	-0-	379,985
1,065	10,927	2,593,408	-	2,593,408
\$ 8,855	\$ 12,102	\$ 2,973,393	\$ -0-	\$ 2,973,393

Bath Charter Township  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET

December 31, 2014

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
ASSETS				
Cash and cash equivalents	\$ 4,783	\$ 86,347	\$ 10,345	\$ 100,619
Special assessments receivable	-	36,598	-	-
Prepays	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,783</b>	<b>\$ 122,945</b>	<b>\$ 10,345</b>	<b>\$ 100,619</b>
LIABILITIES				
Accounts payable	\$ -	\$ 6,532	\$ 155	\$ -
Accrued wages	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>6,532</b>	<b>155</b>	<b>-0-</b>
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	-	92,557	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	4,783	23,856	10,190	-
Committed	-	-	-	100,619
<b>TOTAL FUND BALANCES</b>	<b>4,783</b>	<b>23,856</b>	<b>10,190</b>	<b>100,619</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,783</b>	<b>\$ 122,945</b>	<b>\$ 10,345</b>	<b>\$ 100,619</b>

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 28,853	\$ 19,112	\$ 56,002	\$ 2,257	\$ 308,318
-	-	-	-	36,598
27	-	-	-	27
<u>\$ 28,880</u>	<u>\$ 19,112</u>	<u>\$ 56,002</u>	<u>\$ 2,257</u>	<u>\$ 344,943</u>
\$ 5,081	\$ -	\$ -	\$ -	\$ 11,768
127	-	-	-	127
-	-	10,183	-	10,183
5,208	-0-	10,183	-0-	22,078
-	-	-	-	92,557
27	-	-	-	27
23,645	19,112	-	2,257	83,843
-	-	45,819	-	146,438
<u>23,672</u>	<u>19,112</u>	<u>45,819</u>	<u>2,257</u>	<u>230,308</u>
<u>\$ 28,880</u>	<u>\$ 19,112</u>	<u>\$ 56,002</u>	<u>\$ 2,257</u>	<u>\$ 344,943</u>

Bath Charter Township

Nonmajor Governmental Funds

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

Year Ended December 31, 2014

	Special			
	Police Training	Street Lighting	Drug Forfeiture	Cemetery
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,300	-	-	-
Charges for services	-	-	-	18,667
Fines and forfeitures	-	-	2,238	-
Interest	-	-	-	-
Other				
Special assessments	-	95,847	-	-
Other	-	-	1,235	-
TOTAL REVENUES	2,300	95,847	3,473	18,667
EXPENDITURES				
Current				
General government	-	-	-	4,901
Public safety	4,064	-	9,905	-
Public works	-	78,043	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	683
TOTAL EXPENDITURES	4,064	78,043	9,905	5,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,764)	17,804	(6,432)	13,083
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,764)	17,804	(6,432)	13,083
Fund balances, beginning of year	6,547	6,052	16,622	87,536
Fund balances, end of year	<u>\$ 4,783</u>	<u>\$ 23,856</u>	<u>\$ 10,190</u>	<u>\$ 100,619</u>

Revenue		Capital Projects	Debt Service	
Building and Zoning	Auto Theft Enforcement	Capital Improvements	Debt Service	Total
\$ 229,328	\$ -	\$ -	\$ -	\$ 229,328
-	7,800	-	-	10,100
8,241	1,400	-	-	28,308
-	-	-	-	2,238
-	-	-	5	5
-	-	-	-	95,847
-	-	-	-	1,235
237,569	9,200	-0-	5	367,061
-	-	-	-	4,901
213,897	1,590	-	-	229,456
-	-	-	-	78,043
-	-	-	78,869	78,869
-	-	1,681	-	2,364
213,897	1,590	1,681	78,869	393,633
23,672	7,610	(1,681)	(78,864)	(26,572)
-	-	47,500	78,869	126,369
23,672	7,610	45,819	5	99,797
-	11,502	-	2,252	130,511
<u>\$ 23,672</u>	<u>\$ 19,112</u>	<u>\$ 45,819</u>	<u>\$ 2,257</u>	<u>\$ 230,308</u>

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	Current Tax Collections	Trust and Agency	Total
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 2,892,381</u>	<u>\$ 13,682</u>	<u>\$ 2,906,063</u>
<b>LIABILITIES</b>			
Due to other governmental units			
County	\$ 53,961	\$ 1,418	\$ 55,379
Schools	2,767,730	-	2,767,730
Clinton Area Transit System	40,343	-	40,343
Due to individuals and agencies	30,347	232	30,579
Due to developers	-	12,032	12,032
<b>TOTAL LIABILITIES</b>	<u>\$ 2,892,381</u>	<u>\$ 13,682</u>	<u>\$ 2,906,063</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Bath Charter Township, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bath Charter Township, Michigan as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Bath Charter Township's basic financial statements and have issued our report thereon dated June 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Bath Charter Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bath Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bath Charter Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as 2014-1 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Bath Charter Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Bath Charter Township's Response to Findings**

Bath Charter Township's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bath Charter Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Condon, Hecht, Bisher, Wade & Co., P.C.*

Certified Public Accountants

Hillsdale, Michigan  
June 30, 2015

**BATH CHARTER TOWNSHIP**  
**SCHEDULE OF FINDINGS YEAR ENDED DECEMBER 31, 2014**

**Finding 2014-1 Use of Uniform Chart of Accounts**

*Internal Control Finding considered a significant deficiency*

*Requirement:* All governments in Michigan are required to use the Uniform Chart of Accounts established by Act 2, Public Acts of 1968 and Act 71, Public Acts of 1919 for the classification of accounts.

*Condition:* During the year, grant revenue was classified as other revenue rather than grant revenue

*Cause:* The Township improperly classified the grant revenues as other revenue.

*Effect:* Due to the misclassification, the Township reported an improper amount as capital grants and contributions in the statement of activities.

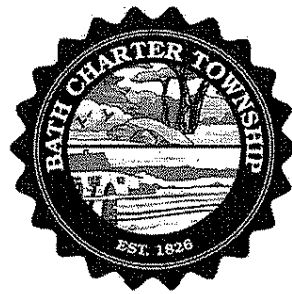
*Recommendation:* The Township should utilize the Uniform Chart of Accounts by classifying all revenues and expenditures in the most relevant account codes.

**Paula Clark**  
*Supervisor*

**Kathleen McQueen**  
*Clerk*

**Jeff Garrity**  
*Treasurer*

**Dan Wietecha**  
*Superintendent*



**Ryan Fewins-Bliss**  
*Trustee*

**Cindy Cronk**  
*Trustee*

**Walter Pett**  
*Trustee*

**Leon Puttler**  
*Trustee*

## 2014 Audit Findings

### Corrective Action Plan

#### **Finding 2014-1 Use of Uniform Chart of Accounts:**

The Township corrected the misclassification identified during the 2014 audit and will correct the ongoing condition by placing additional emphasis on the use of proper classification of all revenues and expenditures with the individuals responsible for coding transactions. In addition, additional scrutiny will be placed on large balances in the miscellaneous and other categories by the Superintendent and Board of Trustees.

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