

*Charter Township of Cooper
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended March 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter Township of Cooper, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Accounting changes

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

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Cooper, Michigan's financial statements as a whole. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sigfried Crandall P.C.

July 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Cooper's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2014. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$10,855 as a result of this year's activities.
- Of the \$5,537,440 total net position reported, \$4,153,648 is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,496,260, which represents 221 percent of the actual General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the basic financial statements for 2014 and 2013 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

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

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds.* All of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary fund.* The Township is the trustee, or fiduciary, for its retiree medical trust. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$5,537,440. Of this total, \$1,312,029 is invested in capital assets and \$71,763 is restricted for public works. The remaining unrestricted net position was \$4,153,648.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,553,117	\$ 5,541,586
Capital assets	<u>1,312,029</u>	<u>1,391,695</u>
Total assets	<u>6,865,146</u>	<u>6,933,281</u>
Current and other liabilities	262,706	211,696
Long-term debt	<u>1,065,000</u>	<u>1,195,000</u>
Total liabilities	<u>1,327,706</u>	<u>1,406,696</u>
Net position:		
Net investment in capital assets	1,312,029	1,391,695
Restricted	71,763	73,547
Unrestricted	<u>4,153,648</u>	<u>4,061,343</u>
Total net position	<u>\$ 5,537,440</u>	<u>\$ 5,526,585</u>

Changes in net position

The Township's total revenues were \$1,495,518. Approximately 50 percent of the total comes from state grants, 23 percent comes from charges for services, and 15 percent comes from taxes.

The total cost of the Township's programs was \$1,484,663. Approximately 55 percent of the Township's expenses relates to the provision of general government costs, 18 percent relates to public safety, and public works amounts to 19 percent of the Township's total expenses.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	<u>2014</u>	<u>2013</u>
Program revenues:		
Charges for services	\$ 347,991	\$ 358,810
Operating grants and contributions	8,635	8,614
Capital grants and contributions	35,487	11,132
General revenues:		
Property taxes	217,029	221,158
State shared revenue	747,663	734,390
Franchise fees	136,066	129,370
Interest and other income	2,647	34,504
	<u>1,495,518</u>	<u>1,497,978</u>
Expenses:		
General government	816,434	790,775
Public safety	263,977	268,566
Public works	284,778	230,493
Community and economic development	65,022	36,650
Interest	54,452	62,986
	<u>1,484,663</u>	<u>1,389,470</u>
Changes in net position	<u>\$ 10,855</u>	<u>\$ 108,508</u>
Net position, end of year	<u>\$ 5,537,440</u>	<u>\$ 5,526,585</u>

Governmental activities

Governmental activities increased the Township's net position by \$10,855 compared to a \$108,508 increase last year, reflecting a slight decrease in total revenues and an increase in expenses in 2014 compared to 2013. State shared revenue, franchise fees, and capital grants increased, while other revenues decreased compared to the prior year. Total expenses had a net increase of \$95,193, with most functions fluctuating upward or downward due to changes in planned programs and projects compared to the prior year.

The total cost of governmental activities this year was \$1,484,663. After subtracting the charges to those who directly benefited from the programs (\$347,991) and operating and capital grants (\$44,122), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,092,550, compared to \$1,010,914 in 2013.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

At March 31, 2014, the Township's governmental funds reported combined ending fund balances of \$4,334,154, an increase of \$179,711 over the prior year.

The General Fund is the primary operating fund of the Township. Its fund balance was \$2,724,159 at the end of the fiscal year, which represents a \$165,486 increase, as revenues continue to be more than sufficient to cover the fund's expenditures.

The Water and Sewer Fund had an increase in fund balance of \$28,246 and an ending fund balance of \$1,259,722.

The Collingwood Debt Service Fund's fund balance decreased by \$12,237 as assessment revenues were less than the fund's annual debt service costs. The ending fund balance was \$278,510.

General Fund budgetary highlights

The Township amended its General Fund budget for expenditures by \$78,350, primarily for anticipated decreases in public works and building inspection costs. Actual revenues were \$38,950 more than budgeted, while expenditures were \$124,536 less than the amounts appropriated. Revenues showed positive variances in state grants and licenses and permits. While all budgeted functional categories were lower than expected in total, this resulted in a \$163,486 positive budget variance and a \$165,486 increase in fund balance compared to a budgeted increase of \$2,000.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$1,312,029 (net of accumulated depreciation). This investment includes several different types of assets, including land, buildings, equipment, and the Township's share of road costs. The Township's net investment in capital assets decreased by \$79,666 for the current year as \$65,719 in asset acquisitions were offset by \$145,385 in current depreciation.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had total long-term bonds payable outstanding in the amount of \$1,065,000, a decrease of \$130,000 after current payments on outstanding sewage system bonds. The debt is backed by the full faith and credit of the Township.

Noncurrent liabilities also include \$204,273 for other postemployment benefit obligations for retiree medical insurance.

More detailed information about the Township's noncurrent liabilities is presented in Notes 7 and 12 of the notes to the basic financial statements.

Economic factors and next year's budgets and rates

The Township expects to be affected to some degree by the general economic conditions currently facing the State of Michigan. Property taxes have declined slightly, although state revenue sharing is anticipated to increase slightly in 2015. Interest rates on investments remain very low. The Township has maintained sufficient financial resources to continue all ongoing activities.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Jeff Sorensen, Township Supervisor
Charter Township of Cooper
1590 West D Avenue
Kalamazoo, MI 49009-6321

Phone: (269) 382-0223

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

March 31, 2014

	<i>Governmental activities</i>
ASSETS	
Current assets:	
Cash	\$ 3,858,059
Investments	301,614
Receivables, net	307,813
Prepaid expenses	<u>28,000</u>
Total current assets	<u>4,495,486</u>
Noncurrent assets:	
Receivables, net	1,057,631
Capital assets, not being depreciated	103,412
Capital assets, net of accumulated depreciation	<u>1,208,617</u>
Total noncurrent assets	<u>2,369,660</u>
Total assets	<u>6,865,146</u>
LIABILITIES	
Current liabilities:	
Payables	58,433
Current maturities of long-term debt	<u>130,000</u>
Total current liabilities	<u>188,433</u>
Noncurrent liabilities:	
Net other postemployment benefits	204,273
Long-term debt	<u>935,000</u>
Total noncurrent liabilities	<u>1,139,273</u>
Total liabilities	<u>1,327,706</u>
NET POSITION	
Net investment in capital assets	1,312,029
Restricted - public works	71,763
Unrestricted	<u>4,153,648</u>
Total net position	<u>\$ 5,537,440</u>

See notes to financial statements

Charter Township of Cooper

BALANCE SHEET - governmental funds

March 31, 2014

	<u>General</u>	<u>Water and Sewer</u>	<u>Collingwood Debt Service</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 2,265,620	\$ 1,260,387	\$ 256,082	\$ 75,970	\$ 3,858,059
Investments	301,614	-	-	-	301,614
Receivables	167,891	510,683	678,175	8,695	1,365,444
Prepaid items	<u>28,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,000</u>
Total assets	<u>\$ 2,763,125</u>	<u>\$ 1,771,070</u>	<u>\$ 934,257</u>	<u>\$ 84,665</u>	<u>\$ 5,553,117</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Payables	\$ 36,166	\$ 665	\$ -	\$ 12,902	\$ 49,733
Deferred inflows of resources					
Unavailable special assessment revenue	-	510,683	655,747	-	1,166,430
Unavailable interest revenue	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,800</u>
Total deferred inflows of resources	<u>2,800</u>	<u>510,683</u>	<u>655,747</u>	<u>-</u>	<u>1,169,230</u>
Fund balances:					
Nonspendable - prepaid items	28,000	-	-	-	28,000
Restricted for:					
Public works	-	-	-	71,763	71,763
Debt service	-	-	278,510	-	278,510
Assigned for:					
Public works	-	1,259,722	-	-	1,259,722
Capital acquisitions - fire equipment	162,826	-	-	-	162,826
Capital acquisitions - general	37,073	-	-	-	37,073
Unassigned	<u>2,496,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,496,260</u>
Total fund balances	<u>2,724,159</u>	<u>1,259,722</u>	<u>278,510</u>	<u>71,763</u>	<u>4,334,154</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,763,125</u>	<u>\$ 1,771,070</u>	<u>\$ 934,257</u>	<u>\$ 84,665</u>	<u>\$ 5,553,117</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds	\$ 4,334,154
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:	
Capital assets used in <i>governmental activities</i> are not reported in the funds.	1,312,029
Other postemployment liabilities are not reported in the funds.	(204,273)
Long-term liabilities are not reported in the funds.	(1,065,000)
Certain special assessments and interest receivable are not available to spend and, therefore, are deferred in the funds.	1,169,230
Accrued interest payable is not due in the current period and, therefore, is not reported in the funds.	<u>(8,700)</u>
Net position of <i>governmental activities</i>	<u>\$ 5,537,440</u>

See notes to financial statements

Charter Township of Cooper

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2014

	<u>General</u>	<u>Water and Sewer</u>	<u>Collingwood Debt Service</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 217,029	\$ -	\$ -	\$ -	\$ 217,029
State grants	756,298	-	-	-	756,298
Licenses and permits	165,074	-	-	-	165,074
Charges for services	117,702	35,487	-	-	153,189
Interest and rentals	32,970	829	41,939	-	75,738
Other	4,477	1,154	94,496	165,603	265,730
	<u>1,293,550</u>	<u>37,470</u>	<u>136,435</u>	<u>165,603</u>	<u>1,633,058</u>
Total revenues					
EXPENDITURES					
General government	732,787	-	-	-	732,787
Public safety	215,517	-	-	-	215,517
Public works	54,028	9,224	-	167,387	230,639
Community and economic development	65,022	-	-	-	65,022
Debt service:					
Principal	-	-	130,000	-	130,000
Interest	-	-	18,672	-	18,672
Capital outlay	60,710	-	-	-	60,710
	<u>1,128,064</u>	<u>9,224</u>	<u>148,672</u>	<u>167,387</u>	<u>1,453,347</u>
Total expenditures					
NET CHANGES IN FUND BALANCES	165,486	28,246	(12,237)	(1,784)	179,711
FUND BALANCES - BEGINNING	<u>2,558,673</u>	<u>1,231,476</u>	<u>290,747</u>	<u>73,547</u>	<u>4,154,443</u>
FUND BALANCES - ENDING	<u>\$ 2,724,159</u>	<u>\$ 1,259,722</u>	<u>\$ 278,510</u>	<u>\$ 71,763</u>	<u>\$ 4,334,154</u>

See notes to financial statements

Charter Township of Cooper

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds (Continued)**

Year ended March 31, 2014

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14)	\$ 179,711
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	65,719
Provision for depreciation	(145,385)
Long-term debt:	
Principal repayments	130,000
Change in bond issuance costs	(36,880)
Changes in other assets/liabilities:	
Net increase in other postemployment liabilities	(41,276)
Change in interest payable	1,100
Net decrease in deferred revenue	<u>(142,134)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 10,855</u>

STATEMENT OF FIDUCIARY NET POSITION

March 31, 2014

	<i>Retiree Medical Trust</i>
ASSETS	
Investments	\$ <u>201,656</u>
NET POSITION	
Held in trust for retirees' health benefits	\$ <u>201,656</u>

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

March 31, 2014

	<i>Retiree Medical Trust</i>
ADDITIONS	
Contributions - employer	\$ 79,738
Interest	<u>20,011</u>
Total additions	99,749
DEDUCTIONS	
Benefits paid	<u>29,738</u>
NET INCREASE	70,011
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS	
Beginning	<u>131,645</u>
Ending	<u><u>\$ 201,656</u></u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Cooper, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

The accompanying financial statements present only the Township, located in Kalamazoo County. There are no component units, entities for which the Township is considered to be financially accountable.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

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

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

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Water and Sewer Fund accounts for financial resources used for the expansion and maintenance of water and sewer lines within the Township. Revenues are primarily derived from connection fees and special assessments.

The Collingwood Debt Service Fund accounts for financial resources used for payments of long-term bond obligations. Revenues are primarily derived from special assessments.

The Township reports the following fiduciary fund:

The Retiree Medical Trust Fund accounts for the accumulation of financial resources to be used for payments for the Township's postemployment healthcare benefits.

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

Assets, liabilities, deferred inflows of resources, and net position or equity:

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Investments are reported at fair value, with changes in value recognized in the operating statements of each fund.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or equity (continued):

Capital assets (continued) - Capital assets are depreciated or amortized using the straight-line method over the following useful lives:

Buildings and improvements	15 - 40 years
Equipment	3 - 10 years
Vehicles	3 - 20 years

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has two items that are included in this category: special assessments and interest. Special assessment and interest revenues, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenues become available.

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

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either a) not in spendable form, or b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted or assigned to those purposes. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 to be revenue of the current year.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth a budget variance:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Recycling	Public works	\$ 96,600	\$ 106,149	\$ (9,549)

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as shown in the government-wide statement of net position and the fiduciary fund statement of net position, were as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Cash	\$ 3,858,059	\$ -	\$ 3,858,059
Investments	<u>301,614</u>	<u>201,656</u>	<u>503,270</u>
Total cash and investments	<u>\$ 4,159,673</u>	<u>\$ 201,656</u>	<u>\$ 4,361,329</u>
Composition of cash and investments:			
Deposits with financial institutions	\$ 3,858,009	\$ -	\$ 3,858,009
Cash on hand	50	-	50
Investments	<u>301,614</u>	<u>201,656</u>	<u>503,270</u>
Totals	<u>\$ 4,159,673</u>	<u>\$ 201,656</u>	<u>\$ 4,361,329</u>

Deposits - State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At March 31, 2014, \$1,070,692 of the Township’s bank balances of \$3,861,303 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest earned on pooled deposits and investments are not allocated to corresponding funds based on the percentage of actual balance in the fund to total pooled amounts. Interest has been assigned to the General Fund.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

At March 31, 2014, the Township’s investments consisted of the following issues:

<u>Investment type</u>	<u>Fair value</u>	<u>Rating</u>	<u>Rating organization</u>
Governmental activities:			
U.S. government agency securities:			
Federal National Mortgage Association	\$ 301,614	AA+	S&P
Fiduciary activity:			
Mutual funds	<u>201,656</u>	N/A	
Total investments	<u>\$ 503,270</u>		

The Township’s investments are subject to several types of risk, which are discussed below:

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the investment securities were uninsured and unregistered and held by the two separate broker-dealers (counterparty) that purchased the securities for the Township.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and obligations of the U.S. government are not considered to have credit risk.

Concentration of credit risk. The Township’s investment policy does not place limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s investment policy has no limitations with respect to maturities of investments.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2014, for the Township's major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 34,528	\$ 20,665	\$ -	\$ 3,300	\$ 109,398	\$ 167,891
Water and Sewer	-	-	510,683	-	-	510,683
Collingwood Debt Service	-	-	666,175	12,000	-	678,175
Other governmental funds	-	-	8,695	-	-	8,695
Totals	<u>\$ 34,528</u>	<u>\$ 20,665</u>	<u>\$ 1,185,553</u>	<u>\$ 15,300</u>	<u>\$ 109,398</u>	<u>\$ 1,365,444</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,631</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 103,412	\$ -	\$ -	\$ 103,412
Capital assets being depreciated:				
Buildings and improvements	761,612	3,609	-	765,221
Equipment	668,555	9,446	-	678,001
Vehicles	677,636	-	-	677,636
Infrastructure	651,853	52,664	-	704,517
Subtotal	<u>2,759,656</u>	<u>65,719</u>	<u>-</u>	<u>2,825,375</u>
Less accumulated depreciation for:				
Buildings and improvements	(429,492)	(22,775)	-	(452,267)
Equipment	(442,716)	(42,573)	-	(485,289)
Vehicles	(474,138)	(30,492)	-	(504,630)
Infrastructure	(125,027)	(49,545)	-	(174,572)
Subtotal	<u>(1,471,373)</u>	<u>(145,385)</u>	<u>-</u>	<u>(1,616,758)</u>
Total capital assets being depreciated, net	<u>1,288,283</u>	<u>(79,666)</u>	<u>-</u>	<u>1,208,617</u>
Governmental activities capital assets, net	<u>\$ 1,391,695</u>	<u>\$ (79,666)</u>	<u>\$ -</u>	<u>\$ 1,312,029</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 47,380
Public safety	48,460
Public works	<u>49,545</u>
 Total governmental activities	 <u>\$ 145,385</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2014, for the Township’s major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 28,166	\$ 8,000	\$ 36,166
Water and Sewer	665	-	665
Other governmental funds	<u>12,902</u>	<u>-</u>	<u>12,902</u>
 Totals	 <u>\$ 41,733</u>	 <u>\$ 8,000</u>	 <u>\$ 49,733</u>

NOTE 7 - NONCURRENT LIABILITIES

Long-term debt at March 31, 2014, is comprised of the following individual issue:

<i>Bonds payable:</i>	
\$1,195,000 Refunding bonds series 2012 limited tax obligation; payable in annual installments of \$130,000 to \$135,000, plus interest at 1.96%	<u>\$ 1,065,000</u>

The Township has pledged its full faith and credit for repayment of these bonds.

Long-term debt activity for the year ended March 31, 2014, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Bonds payable	\$ <u>1,195,000</u>	\$ <u>-</u>	\$ <u>(130,000)</u>	\$ <u>1,065,000</u>	\$ <u>130,000</u>

NOTE 7 - NONCURRENT LIABILITIES (Continued)

At March 31, 2014, debt service requirements on long-term debt were as follows:

<i>Year ended</i> <u>March 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 130,000	\$ 19,600
2016	130,000	17,052
2017	130,000	14,504
2018	135,000	11,907
2019	135,000	9,261
2020 - 2022	<u>405,000</u>	<u>11,907</u>
Totals	<u>\$ 1,065,000</u>	<u>\$ 84,231</u>

NOTE 8 - PROPERTY TAXES

The 2013 taxable valuation of the Township approximated \$252,955,000, on which ad valorem taxes levied consisted of .8594 mills for operating purposes, raising approximately \$217,000. This amount is recognized in the respective fund financial statements as property tax revenue.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has joined together with other local governmental units in the State to form the Michigan Municipal League Insurance Pool (MML), a public-entity risk pool currently operating as a common risk management and insurance program for local governmental units within the State. The Township pays an annual premium to MML for all of its insurance coverages. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess for each insured event.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The Township provides pension benefits for all its elected officials through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Officials and full-time staff are eligible to participate six months after they are elected or become full-time. The Township contributes annually 15% of the participant’s base salary or \$100, whichever is more. Participants are fully vested after twenty months of service and are paid a termination benefit of a predetermined amount. Any amounts forfeited are used to reduce the Township’s current period contribution requirement. The Township made the required 15% contribution of \$35,473 for the year ended March 31, 2014. Employees are not required to contribute to the pension plan. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - JOINT VENTURE

The Township is a member of the Kalamazoo Area Building Authority (the Authority), which is a joint venture of the Charter Townships of Comstock, Kalamazoo, Oshtemo, and Cooper. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. Complete audited financial statements for the Authority can be obtained by contacting the Authority at P.O. Box 292, Oshtemo, MI 49077.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

The Township administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Township’s group health insurance plan, which covers only retired members. Seven individuals are eligible for postemployment health benefits under the current plan. The retiree health plan does not issue a publicly-available financial report.

Funding policy:

The Township has the authority to establish the funding policy and to amend the obligations of both the Township and members.

The Township pays the full cost of coverage of these benefits for retirees and their dependents on a pay-as-you-go basis for health care coverage through private insurers. Retirees are not obligated to make contributions to the plan at this time. For the year ended March 31, 2014, the Township contributed \$79,738 to the plan, including \$29,738 for current premiums (100% of total premiums) and an additional \$50,000 to prefunded benefits.

Annual OPEB Cost and Net OPEB Obligation:

Through March 31, 2014, the Township's annual other postemployment benefit (OPEB) cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, was projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the Township's annual OPEB cost for the year ended March 31, 2014, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 125,966
Interest on net OPEB obligation	12,225
Adjustment to annual required contribution	<u>(17,177)</u>
Net OPEB cost	121,014
Contributions made	<u>(79,738)</u>
Increase in net OPEB obligation	41,276
Net OPEB (asset) obligation - beginning of year	<u>162,997</u>
Net OPEB obligation - end of year	<u><u>\$ 204,273</u></u>

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The Township’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and 2013 were as follows:

	<i>Annual OPEB cost</i>	<i>Percentage of annual OPEB cost contributed</i>	<i>Net OPEB (asset) obligation</i>
2013	\$ 114,874	-41.9%	\$ 162,997
2014	121,014	-68.8%	204,273

Funded status and funding progress:

The funded status of the plan for the most recent actuarial valuation date is as follows:

<i>Valuation date, March 31,</i>	<i>Actuarial accrued liability (AAL) (a)</i>	<i>Market value of assets (b)</i>	<i>Unfunded AAL (UAAL) (a-b)</i>	<i>Funded ratio (b/a)</i>
2013	<u>\$ 977,900</u>	<u>\$ 201,656</u>	<u>\$ 776,244</u>	21%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial methods and assumptions:

The following simplifying assumptions were made:

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the Social Security Administration 2007 Period Actuarial Life Table.

Healthcare cost trend rate - The cost of benefits has been set at a maximum dollar amount of \$3,300 annually per participant.

NOTE 12 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

In the March 31, 2013, actuarial valuation, the GASB 45 alternative actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date.

NOTE 13 - RECENT ACCOUNTING PRONOUNCEMENT

Effective April 1, 2013, the Township adopted the provisions of the following accounting pronouncement that did not result in restatement or reclassification of opening net position or fund balances:

Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 14 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for periods beginning after June 15, 2014. This Statement generally carries forward the requirements of Statement No. 27 for employer accounting and financial reporting for defined contribution plans. In this Statement, the definition of defined contribution pensions, as well as the accounting requirements for such pensions, includes provisions to accommodate circumstances in which the timing of payments into individual accounts does not coincide with the period of employee service to which defined contributions pertain (as when a nonvested employee accumulates credits for which the employer delays payment into the employee's account until vesting provisions have been satisfied). This Statement also establishes requirements to address accounting for forfeitures. The Statement also enhances accountability and transparency through revised note disclosures. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning April 1, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 281,500	\$ 281,500	\$ 217,029	\$ (64,471)
Federal grant	5,000	5,000	-	(5,000)
State grants	659,000	659,000	756,298	97,298
Licenses and permits	132,600	132,600	165,074	32,474
Charges for services	120,000	120,000	117,702	(2,298)
Interest and rentals	45,500	45,500	32,970	(12,530)
Other	11,000	11,000	4,477	(6,523)
Total revenues	<u>1,254,600</u>	<u>1,254,600</u>	<u>1,293,550</u>	<u>38,950</u>
EXPENDITURES				
General government:				
Legislative	9,300	9,300	9,519	(219)
Supervisor	68,500	68,500	61,629	6,871
Election	13,000	10,000	1,729	8,271
Assessor	97,600	97,600	79,458	18,142
Clerk	110,800	110,800	99,049	11,751
Treasurer	74,900	76,900	73,887	3,013
Board of review	4,250	4,250	1,658	2,592
Cemetery	50,600	52,100	49,684	2,416
Professional services	31,000	31,000	25,894	5,106
Buildings and grounds	50,400	50,400	54,700	(4,300)
General operations	250,000	310,000	275,580	34,420
Total general government	<u>760,350</u>	<u>820,850</u>	<u>732,787</u>	<u>88,063</u>
Public safety:				
Fire protection	175,400	175,400	162,407	12,993
Building inspection	10,000	1,000	50	950
Ordinance enforcement	29,500	54,500	53,060	1,440
Total public safety	<u>214,900</u>	<u>230,900</u>	<u>215,517</u>	<u>15,383</u>
Public works - highways and streets	<u>102,000</u>	<u>62,000</u>	<u>54,028</u>	<u>7,972</u>
Community and economic development - planning and zoning	<u>32,000</u>	<u>66,850</u>	<u>65,022</u>	<u>1,828</u>

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Capital outlay	\$ 65,000	\$ 72,000	\$ 60,710	\$ 11,290
Total expenditures	<u>1,174,250</u>	<u>1,252,600</u>	<u>1,128,064</u>	<u>124,536</u>
NET CHANGES IN FUND BALANCES	80,350	2,000	165,486	163,486
FUND BALANCES - BEGINNING	<u>2,558,673</u>	<u>2,558,673</u>	<u>2,558,673</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,639,023</u>	<u>\$ 2,560,673</u>	<u>\$ 2,724,159</u>	<u>\$ 163,486</u>

Charter Township of Cooper

BUDGETARY COMPARISON SCHEDULE - *Water and Sewer Fund*

Year ended March 31, 2014

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 35,487	\$ 5,487
Interest	500	500	829	329
Other - special assessments	<u>5,000</u>	<u>5,000</u>	<u>1,154</u>	<u>(3,846)</u>
Total revenues	35,500	35,500	37,470	1,970
EXPENDITURES				
Public works	<u>19,000</u>	<u>19,000</u>	<u>9,224</u>	<u>9,776</u>
NET CHANGES IN FUND BALANCES	16,500	16,500	28,246	11,746
FUND BALANCES - BEGINNING	<u>1,231,476</u>	<u>1,231,476</u>	<u>1,231,476</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,247,976</u>	<u>\$ 1,247,976</u>	<u>\$ 1,259,722</u>	<u>\$ 11,746</u>

Charter Township of Cooper

**SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT
HEALTHCARE PLAN**

Year ended March 31, 2014

<i>Valuation date, March 31,</i>	<i>Actuarial accrued liability (AAL) (a)</i>	<i>Market value of assets (b)</i>	<i>Unfunded AAL (UAAL) (a-b)</i>	<i>Funded ratio (b/a)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((a-b)/c)</i>
2013	<u>\$ 977,900</u>	<u>\$ 201,656</u>	<u>\$ 776,244</u>	21%	<u>\$ 416,544</u>	186%

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2014

	<u>Special revenue</u>		
	<u>Street Lighting</u>	<u>Recycling</u>	<u>Totals</u>
ASSETS			
Cash	\$ 62,518	\$ 13,452	\$ 75,970
Receivables	<u>2,490</u>	<u>6,205</u>	<u>8,695</u>
Total assets	<u>\$ 65,008</u>	<u>\$ 19,657</u>	<u>\$ 84,665</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,036	\$ 7,866	\$ 12,902
FUND BALANCES			
Restricted:			
Public works	<u>59,972</u>	<u>11,791</u>	<u>71,763</u>
Total liabilities and fund balances	<u>\$ 65,008</u>	<u>\$ 19,657</u>	<u>\$ 84,665</u>

Charter Township of Cooper

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2014

	<u>Special revenue</u>		
	<u>Street Lighting</u>	<u>Recycling</u>	<u>Totals</u>
REVENUES			
Other - special assessments	\$ 65,773	\$ 99,830	\$ 165,603
EXPENDITURES			
Public works	<u>61,238</u>	<u>106,149</u>	<u>167,387</u>
NET CHANGES IN FUND BALANCES	4,535	(6,319)	(1,784)
FUND BALANCES - BEGINNING	<u>55,437</u>	<u>18,110</u>	<u>73,547</u>
FUND BALANCES - ENDING	<u>\$ 59,972</u>	<u>\$ 11,791</u>	<u>\$ 71,763</u>

July 22, 2014

To the Board of Trustees
Charter Township of Cooper

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Cooper for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 3, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Cooper are described in Note 1 to the financial statements. Except as described in Note 13 to the financial statements, no new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2014. We noted no transactions entered into by the Charter Township of Cooper during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were capital asset depreciation and liability for postemployment benefits other than pensions, and changes therein.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. Management's estimate of the liability for postemployment benefits other than pensions, and changes therein, is based on the use of the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. We evaluated the key factors and assumptions used to develop the capital asset depreciation and the postemployment benefits other than pensions, and changes therein, in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

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

Management Representations

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

Other Issues

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

Other Matters

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

We were engaged to report on the combining balance sheet and statement of fiduciary net position, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Charter Township of Cooper as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Cooper'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Charter Township of Cooper's internal control to be a material weakness:

Material audit adjustments and financial statement preparation:

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

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Accrue receivables at year end
- Accrue payables at year end
- Adjust property tax and special assessment revenues and receivables at year end
- Adjust deferred inflow balances
- Convert the fund-based data necessary to prepare the government-wide financial statements.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. The Board will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit the Charter Township of Cooper's response to the internal control finding described above and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Trustees of the Charter Township of Cooper and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.