

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF WAKEFIELD  
WAKEFIELD, MICHIGAN  
GOGEBIC COUNTY**

**March 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board  
Township of Wakefield  
Wakefield, Michigan

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Wakefield as of and for the year ended March 31, 2016, and the related notes to the financial statements which collectively comprise the Township of Wakefield'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 of 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 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 Township of Wakefield as of March 31, 2016, 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 7 through 12 and pages 36 and 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Wakefield's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other Financial Information is the responsibility of management and was derived from and relates 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 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 Other Financial Information is 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 a report dated September 23, 2016, on our consideration of Township of Wakefield'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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Wakefield's internal control over financial reporting and compliance.

*Makela, Pollack + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
September 23, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## TOWNSHIP OF WAKEFIELD

Year ended March 31, 2016

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### **Management's Discussion and Analysis**

This section of the Township of Wakefield's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2016. It is to be read in conjunction with the Township's financial statements, which immediately follow. The Township did not prepare financial statements for the year ended March 31, 2015 and therefore, comparisons to the previous year are not included.

### **Government-wide Financial Statements**

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and state grants.

The statement of net position reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net position (deficit) of the Township. This statement measures the financial strength of the Township; the greater the net position figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the Township.

**Fund Financial Statements**

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund and Special Revenue Fund. The Township has no nonmajor funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Fiduciary funds are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds. Fiduciary funds include the Trust and Agency Fund and the Tax Collection Fund.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information**

Statement of Net Position

The following is the condensed statement of net position with a detailed analysis of the statement below.

	<u>March 31, 2016</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 221,103
Investments	331,849
Due from others	4,607
Prepaid expenses	<u>1,136</u>
Total Current Assets	\$ 558,695
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>131,353</u>
Total Assets	<u>\$ 690,048</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 10,818
Accrued wages and payroll taxes	5,698
Current portion of long term liabilities	<u>3,000</u>
Total Current Liabilities	\$ 19,516
Long-term liabilities, net of current portion	<u>9,750</u>
Total Liabilities	<u>\$ 29,266</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 131,353
Restricted for economic development	6,234
Unrestricted	<u>523,195</u>
Total Net Position	<u>\$ 660,782</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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**Government-wide Financial Statements – Condensed Financial Information (Continued)**

Statement of Net Position (Continued)

The Township's total net position is \$660,782 at March 31, 2016. The investment in capital assets is \$131,353 at March 31, 2016. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date. There was no long-term debt at March 31, 2016 financing acquisition of capital assets.

The total unrestricted net position is \$523,195 as of March 31, 2016. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net position shows that the Township has an ample amount of assets to fund liabilities.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. The statement below reports the changes in net position for the fiscal year.

	<u>Year ended March 31, 2016</u>
	Governmental <u>Activities</u>
Revenue:	
Program Revenues -	
Charges for services	\$    3,919
General Revenues:	
Property taxes	142,457
State grants	24,176
Other	<u>11,484</u>
Total Revenue	\$  182,036
Program expenses -	
Governmental activities	<u>213,700</u>
Change in Net Position	<u>\$  (31,664)</u>

**Government-wide Financial Statements – Condensed Financial Information (Continued)**

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was \$213,700. A majority of these costs were funded by property taxes and state grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

**Governmental Fund Financial Statements**

During the year ended March 31, 2016, the Township General Fund fund balance decreased \$30,065. The fund balance of the General Fund at March 31, 2016 totals \$529,801. The Special Revenue (Renaissance Zone) fund balance decreased \$2,974 during the year ended March 31, 2016 and the fund balance reported at March 31, 2016 totaled \$12,378. Subsequent to March 31, 2016, the debt noted below due to the State of Michigan was paid-off using all of the Renaissance Zone fund balance and the Special Revenue fund was closed.

**Governmental Fund Budgetary Items**

During the year, the Township amended its original General Fund budget. There were no amendments made to the Renaissance Zone budget. A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

**Capital Assets**

At March 31, 2016, the Township had \$131,353 invested in capital assets, net of accumulated depreciation. Governmental activities reported a historical cost of \$654,520, at March 31, 2016 with accumulated depreciation of \$523,167. Depreciation charges for the year ended March 31, 2016 totaled \$1,625.

**Debt**

The Township had \$12,750 of long-term liabilities at March 31, 2016, for a note payable related to economic development projects with the State of Michigan. Details of the note can be found in Note F to the financial statements. This debt was paid-off subsequent to March 31, 2016.

### **Comments and Future Considerations**

The Township:

- Has been able to keep the millage rate at its current level despite the higher cost of budgetary items. No raises for elected officials or employees were given this budget year.
- Continues with the spring cleanup and has not increased garbage rates to Township residents.
- Provides support to residents in areas where there are no addresses or confusion in the existing addresses so emergency services can locate premises when there are emergencies.
- Has completed installing about 340 new fire number signs for all areas of the township.
- Continues to expand internet services to those that have only dial-up services currently available.
- Continues to support economic development activities including the building of a new casino/hotel/conference center at Indianhead Ski Hill; the Highland Copper Mine; and existing businesses in the Industrial Park.
- Continues to improve and pave local roads.
- Strives to accurately assess properties fairly and equally across the Township. The assessor will be assessing approximately 20% of the Township parcels on a five-year rotating basis.
- Working towards full compliance with the State Tax Commission with the goal of completing the process by December 2017.
- Continues to maintain a healthy fund balance and monitor the budget quarterly and informally project funding of activities for future years.
- Continues to improve the township website making it more user-friendly and providing more information for the public. A major overhaul will be done for 2016-2017.
- Continue to monitor the Gogebic Solid Waste Authority, during their recent financial problems.
- Continue to maintain a good working relationship with the Gogebic County Road Commission by attending a monthly workshop meeting with their Board.
- Continue to secure and investigate possibilities for motorized ATV and snowmobile trails in the township and non-motorized trails across Gogebic County.
- Pursue natural gas service for Wakefield Township areas in cooperation with Xcel Energy
- Work pro-actively with 911 Committee and other agencies to react to emergencies in Wakefield Township which include ski-hill evacuation, pipeline emergencies, power outages, water etc.

### **Contacting the Township**

If you have any questions about this report or need additional information, contact the Township offices at Township of Wakefield, P.O. Box 164, Wakefield, MI 49968; telephone number (906) 224-8551 or our website at [www.wakefieldtownship.com](http://www.wakefieldtownship.com).

BASIC  
FINANCIAL  
STATEMENTS

STATEMENT OF NET POSITION  
TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2016

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 221,103
Investments	331,849
Due from State of Michigan	3,531
Due from other government	1,076
Prepaid expenses	<u>1,136</u>
Total Current Assets	\$ 558,695
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>131,353</u>
Total Assets	<u>\$ 690,048</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 10,818
Accrued wages and payroll taxes	5,698
Current portion of loans payable	<u>3,000</u>
Total Current Liabilities	\$ 19,516
Long-term liabilities -	
Loans payable, less current portion	<u>9,750</u>
Total Liabilities	<u>\$ 29,266</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 131,353
Restricted for economic development	6,234
Unrestricted	<u>523,195</u>
Total Net Position	<u>\$ 660,782</u>

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

STATEMENT OF ACTIVITIES  
TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Expenses	Program Revenues - Charges for Services	Net (Expense) Revenue and Change in <u>Net Position</u> Governmental Activities
<b>Governmental activities:</b>			
Legislative	\$ 19,063		\$ (19,063)
General government	93,601	\$ 3,525	(90,076)
Public safety	14,347	394	(13,953)
Community and economic development	2,621		(2,621)
Public works	65,699		(65,699)
Parks and recreation	5,283		(5,283)
Other functions	11,461		(11,461)
Depreciation - unallocated	<u>1,625</u>		<u>(1,625)</u>
Total Governmental Activities	\$ 213,700	\$ 3,919	\$ (209,781)
<b>General revenues:</b>			
Taxes			\$ 142,457
State grants			24,176
Interest and rents			4,210
Other			<u>7,274</u>
Total General Revenues and Transfers			<u>\$ 178,117</u>
		Change in Net Position	\$ (31,664)
Net position at April 1, 2015			<u>692,446</u>
Net position at March 31, 2016			<u>\$ 660,782</u>

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

BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2016

	General	Special Revenue	Totals Governmental Funds
<b>ASSETS</b>			
Cash	\$ 208,725	\$ 12,378	\$ 221,103
Investments	331,849		331,849
Due from State of Michigan	3,531		3,531
Due from other government	1,076		1,076
Prepaid expenses	<u>1,136</u>		<u>1,136</u>
	<u>\$ 546,317</u>	<u>\$ 12,378</u>	<u>\$ 558,695</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 10,818		\$ 10,818
Accrued wages and payroll taxes	<u>5,698</u>		<u>5,698</u>
Total Liabilities	\$ 16,516		\$ 16,516
<b>Fund equity:</b>			
Fund balances:			
Nonspendable for prepaids	\$ 1,136		\$ 1,136
Restricted for economic development		\$ 6,234	6,234
Committed by board:			
Road repairs	300,000		300,000
Economic development	100,000		100,000
Assigned for budgeting		6,144	6,144
Unassigned	<u>128,665</u>		<u>128,665</u>
Total Fund Equity	<u>\$ 529,801</u>	<u>\$ 12,378</u>	<u>\$ 542,179</u>
	<u>\$ 546,317</u>	<u>\$ 12,378</u>	<u>\$ 558,695</u>

The accompanying notes are an integral part of the financial statements



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

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2016

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Total fund equity of governmental activities \$ 542,179

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

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 654,520	
Accumulated depreciation	<u>(523,167)</u>	131,353

Reductions:

Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds.

Note payable to Michigan Jobs Commission	<u>(12,750)</u>	
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Net position of governmental activities \$ 660,782

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	General	Special Revenue	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 142,457		\$ 142,457
Licenses and permits	394		394
State grants	24,176		24,176
Charges for services	3,525		3,525
Interest and rents	4,184	\$ 26	4,210
Other revenues	<u>7,274</u>		<u>7,274</u>
<b>TOTAL REVENUES</b>	<b>\$ 182,010</b>	<b>\$ 26</b>	<b>\$ 182,036</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Legislative	\$ 19,063		\$ 19,063
General government	93,601		93,601
Public safety	14,347		14,347
Community and economic development	2,621		2,621
Public works	65,699		65,699
Parks and recreation	5,283		5,283
Other	11,461		11,461
Debt service - Principal		<u>\$ 3,000</u>	<u>3,000</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 212,075</b>	<b>\$ 3,000</b>	<b>\$ 215,075</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (30,065)</b>	<b>\$ (2,974)</b>	<b>\$ (33,039)</b>
Fund balance at April 1, 2015	<u>559,866</u>	<u>15,352</u>	<u>575,218</u>
<b>FUND BALANCE AT MARCH 31, 2016</b>	<b><u>\$ 529,801</u></b>	<b><u>\$ 12,378</u></b>	<b><u>\$ 542,179</u></b>

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

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

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2016

Total net change in fund balances - governmental funds \$ (33,039)

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

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

	Capital outlays	\$ 0	
	Depreciation expense	<u>(1,625)</u>	(1,625)

Repayment of loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not effect the statement of activities.

3,000

Change in net position of governmental activities

\$ (31,664)

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

COMBINED STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Trust and Agency Fund	Tax Collection Fund	Totals
<b>ASSETS</b>			
Cash	<u>\$ 635</u>	<u>\$ 62,883</u>	<u>\$ 63,518</u>
<b>LIABILITIES</b>			
Liabilities:			
Due State of Michigan	\$ 574		\$ 574
Due Federal government	61		61
Due Gogebic County	<u>          </u>	<u>\$ 62,883</u>	<u>62,883</u>
	<u>\$ 635</u>	<u>\$ 62,883</u>	<u>\$ 63,518</u>

The accompanying notes are an integral part of the financial statements

NOTES  
TO  
FINANCIAL  
STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2016

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#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Wakefield operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

##### Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial-reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, there are no organizations to be included as a component unit in the financial statements of the Township.

##### Basis of Presentation

###### Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund and Special Revenue Fund are considered to be governmental activities. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

###### Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund and Special Revenue Fund as major funds and has no non-major funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Presentation (Continued)

##### Fund-based Financial Statements (Continued)

###### Governmental Fund Types

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Special Revenue Fund - is used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Township has one special revenue fund which is used to account for financial resources from the lease and sale of a building the Township constructed with grant and local funding located in a renaissance zone of the Township as established by the State of Michigan.

###### Fiduciary Fund Type

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. These include the Trust and Agency and Tax Collection funds. These funds are custodial in nature and do not involve measurement of results of operations.

#### Basis of Accounting

##### Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Accounting (Continued)

##### Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as “susceptible to accrual”). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

#### Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. Legal budgets are adopted for the General Fund and Special Revenue Fund. The budgets are adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and all budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

#### Investments

Investments include certificates of deposit in local financial institutions with maturity dates greater than 90 days and are stated at fair market value, which is equal to cost.

#### Receivables

Credit is extended to the State of Michigan and local governmental units. All receivables are reported at their gross values. No allowance for uncollectible accounts is included in the financial statements as all receivables are deemed to be collectible at March 31, 2016.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

#### Investment in Capital Assets, Net of Related Debt

This is a portion of net position of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets. The Township has no related debt for capital assets at March 31, 2016.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township has no items that qualify for reporting in this category.

#### Restricted Net Position

Net position is restricted when there are constraints placed on their use by external parties or by statute.

#### Unrestricted Net Position

Net position not meeting either criteria above are considered unrestricted.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund Balance Policies

Fund balance measures the net financial resources available to finance expenditures of future periods. Fund balance is the difference between assets and liabilities reported in a governmental fund. The Township's Unassigned General Fund Balance will be maintained to provide the Township with sufficient working capital and a margin of safety to address local and regional emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Township Board. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

Fund balance of the Township may be committed for a specific source by formal action of the Township Board. Amendments or modifications to the Committed Fund Balance must also be approved by formal action of the Board. Committed Fund Balance does not lapse at year end.

Fund balance of the Township may be assigned for a specific purpose by the Township Board. Assigned Fund Balance does not lapse at year end.

Restricted Fund Balances are those amounts that can only be spent for the specific purposes stipulated by external resource providers.

Nonspendable Fund Balance includes amounts that are not in a spendable form. Examples include inventory and prepaids.

For purposes of fund balance classification, expenditures are to be spent from Restricted Fund Balance first (when appropriate), followed in order by Assigned Fund Balance, Committed Fund Balance and lastly, Unassigned Fund Balance.

To make the foundational support of the Township as effective as possible, the Board desires to maintain, in stable economic times, a fund balance of at least 10% of the Township General Fund annual operating expenditures.

An annual reporting of fund balances shall be as reported in the annual Audited Financial Statements of the Township of Wakefield.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$5,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets are not included in capital assets. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	30-50 years
Office furniture, fixtures and equipment	5-20 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the Township for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Long-Term Liabilities

The Township reports the financing proceeds of infrastructure improvements as provided by the Community Development Block Grant program through the State of Michigan in the government-wide financial statements as liabilities of the governmental activities.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as revenue as collections are made; when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a Township must amend its budget if it becomes apparent that the Township's actual revenues will deviate from those budgeted, or if the Township's expenditures will exceed the amounts appropriated. During the year ended March 31, 2016, the Township was in substantial compliance with the Act.

### NOTE C – CASH AND INVESTMENTS

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2016, total cash and investments as reported by banks and credit union amounted to \$616,669 of which all was covered by depository insurance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – PROPERTY TAXES

A summary of the 2015 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
Intermediate School District	3.6200	\$ 82,902	\$ 6,443	\$ 76,459
County	11.3339	263,372	21,966	241,406
State Education Tax	6.0000	114,461	10,679	103,782
School	19.6000	284,791	30,650	254,141
Township	<u>4.5472</u>	<u>104,137</u>	<u>9,848</u>	<u>94,289</u>
TOTALS	<u>45.1011</u>	<u>\$ 849,663</u>	<u>\$ 79,586</u>	<u>\$ 770,077</u>

Taxable valuation:

Homestead	\$ 11,594,918
Non-homestead and Renaissance zone	<u>13,859,305</u>
	<u>\$ 25,454,223</u>

Costs incurred for administrative costs in assessing and collecting property taxes exceeded receipts from charging the property tax administrative fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2016:

	Balance at April 1, <u>2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2016</u>
<u>Governmental Activities</u>				
Assets:				
Land	\$ 81,045			\$ 81,045
Buildings and improvements	543,230			543,230
Office furniture and equipment	<u>30,245</u>			<u>30,245</u>
	\$ 654,520			\$ 654,520
Less accumulated depreciation:				
Buildings and improvements	\$ 491,617	\$ 1,305		\$ 492,922
Office furniture and equipment	<u>29,925</u>	<u>320</u>		<u>30,245</u>
	<u>\$ 521,542</u>	<u>\$ 1,625</u>		<u>\$ 523,167</u>
TOTAL GOVERNMENT	<u>\$ 132,978</u>	<u>\$ (1,625)</u>	<u>\$ 0</u>	<u>\$ 131,353</u>

Depreciation expense of \$1,625 is unallocated in the Statement of Activities.

NOTE F – LONG-TERM LIABILITIES

The loan from Michigan Job Commission, Community Development Block Grant (CDBG) funds, dated June 1998 for infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of zero percent and requires quarterly payments of \$750 beginning on September 1, 2005. The loan period is 15 years with final payment scheduled for June 1, 2020. Four payments totaling \$750 were paid as required during the year ended March 31, 2016. All future principal payments will be made by the General Fund or Special Revenue Fund. The Township commitment under this loan is further explained in Note J to the financial statements.

Following is a summary of changes in long-term liabilities during the year ended March 31, 2016:

	Balance at <u>April 1, 2015</u>	<u>Reductions</u>	Balance at <u>March 31, 2016</u>	Current <u>Portion</u>
Loans from Michigan Jobs Commission	<u>\$ 15,750</u>	<u>\$ 3,000</u>	<u>\$ 12,750</u>	<u>\$ 3,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE F – LONG-TERM LIABILITIES (CONTINUED)

The aggregate amounts of long-term debt principal maturities for the five years ending March 31, 2021, and in five-year increments after until maturity are:

2017	\$	3,000
2018		3,000
2019		3,000
2020		3,000
2021		750

This loan has been paid off subsequent to March 31, 2016.

NOTE G – FUND BALANCE

The General Fund, fund balance at March 31, 2016, includes a nonspendable fund balance for prepaid expenses of \$1,136. The Board has committed \$300,000 for road repairs and \$100,000 for economic development.

The Special Revenue Fund, fund balance at March 31, 2016, includes a restricted fund balance for economic development of \$6,234 from the sales proceeds of land donated to the Township by another governmental unit. The fund balance also includes an assigned fund balance of \$6,144 for future budgeting.

NOTE H – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2016, the Township collected construction code service fees of \$394 and spent over this amount collected for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE I – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2016, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE J – COMMITMENTS

#### State of Michigan

On June 1, 1998, the Township and Gogebic County entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in the Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State offset monies it advanced under the agreement via application of a formula that provided for a \$20,000 reduction for each qualifying new job created, subject to a minimum repayment of 10% of the total financing agreement, or \$45,000. The \$45,000 became a liability of both the Township and Gogebic County on May 31, 2005. See Note F for detail of the repayment terms. The Township and Gogebic County have each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for the loan. The Township has committed to reimbursing the County for any County liability incurred.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – COMMITMENTS (CONTINUED)

Gogebic Range Water Authority

Gogebic Range Water Authority (the Authority) was organized in 1977 to finance and construct a regional water source for its members and others. Members of the Authority are the Township and four local municipalities. Construction of various phases of projects the Authority has undertaken has been financed principally by federal and state grants and loans to the Authority. The participating local units of government provided financing in the form of pass-through of federal and state grants and loans and direct investment.

The Authority owns the water system and is operated and managed by an autonomous Authority Board which is comprised of eleven members; two from each member municipality and one at large appointed member.

All debt of the Authority is expected to be paid by the revenues of the Authority. The Authority bills the member municipalities for any construction and financing costs according to each unit's participation in projects. The Township accounts for any costs in the General Fund. The financial dependency for future debt retirement payments could be adjusted based on participation in projects.

Condensed financial information as of and for the year ended June 30, 2015, from the Authority's most recently audited financial statements, which are available at the Authority's administrative office at Ramsay, Michigan, follows:

Total assets	<u>\$ 30,026,857</u>
Total liabilities	<u>\$ 12,467,357</u>
Net position	<u>\$ 17,559,500</u>
Operating revenues	\$ 762,174
Operating expenses	<u>971,634</u>
	\$ (209,460)
Interest charges, net of investment earnings	<u>(269,518)</u>
Change in Net Position	\$ (478,978)
Net position at July 1, 2014	<u>18,038,478</u>
Net Position at June 30, 2015	<u>\$ 17,559,500</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE K – FRANCHISE AGREEMENT

On May 10, 2007, the Township Board granted a franchise, for the sum of \$1, of the water utility system to the Gogebic Range Water Authority, effective July 1, 2007. The franchise gives the Gogebic Range Water Authority the rights to construct, operate and maintain a water supply and distribution system within the Township. The initial term of the franchise is 30 years with the option to renew for additional ten-year periods. The Township transferred all assets of the water system to the Gogebic Range Water Authority during the year ended March 31, 2008.

### NOTE L – RELATED PARTY TRANSACTIONS

A Board member received \$875 for lawn care services during the year ended March 31, 2016. No amounts are due to the Board member at March 31, 2016 related to these services.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
Taxes	\$ 141,676	\$ 141,676	\$ 142,457
Licenses and permits	1,500	1,500	394
State grants	25,293	25,293	24,176
Charges for services	2,100	2,100	3,525
Interest and rents	2,600	2,600	4,184
Other revenues	<u>6,100</u>	<u>6,100</u>	<u>7,274</u>
<b>TOTAL REVENUES</b>	<b>\$ 179,269</b>	<b>\$ 179,269</b>	<b>\$ 182,010</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Legislative	\$ 22,873	\$ 22,873	\$ 19,063
General government	102,391	102,391	93,601
Public safety	9,347	14,347	14,347
Community and economic development	4,449	4,449	2,621
Public works	65,921	65,921	65,699
Parks and recreation	5,283	5,283	5,283
Other functions	<u>11,850</u>	<u>11,850</u>	<u>11,461</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 222,114</b>	<b>\$ 227,114</b>	<b>\$ 212,075</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (42,845)</b>	<b>\$ (47,845)</b>	<b>\$ (30,065)</b>
Fund balance at April 1, 2015	<u>559,866</u>	<u>559,866</u>	<u>559,866</u>
<b>FUND BALANCE AT MARCH 31, 2016</b>	<b><u>517,021</u></b>	<b><u>512,021</u></b>	<b><u>529,801</u></b>

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

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Original Budget	Final Budget	Actual
Revenues:			
Interest and rents	\$ 45	\$ 45	\$ 26
Expenditures:			
Debt service - principal	<u>5,500</u>	<u>5,500</u>	<u>3,000</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (5,455)	\$ (5,455)	\$ (2,974)
Fund balance at April 1, 2015	<u>15,352</u>	<u>15,352</u>	<u>15,352</u>
FUND BALANCE AT MARCH 31, 2016	<u>\$ 9,897</u>	<u>\$ 9,897</u>	<u>\$ 12,378</u>

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

OTHER  
FINANCIAL  
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes		\$ 104,405	
Delinquent property taxes		10,460	
Payment in lieu of tax		4,725	
Commercial forest reserve		10,501	
Swamp tax		4,165	
Property tax administrative fee		<u>8,201</u>	
	\$ 141,676	\$ 142,457	\$ 781
Licenses and permits	\$ 1,500	\$ 394	\$ (1,106)
State grants:			
State revenue sharing		\$ 22,943	
Metro Authority - P.A. 48 of 2002		<u>1,233</u>	
	\$ 25,293	\$ 24,176	\$ (1,117)
Charges for services - summer tax collection	2,100	3,525	1,425
Interest and rents - interest earned	2,600	4,184	1,584
Miscellaneous revenues	<u>6,100</u>	<u>7,274</u>	<u>1,174</u>
TOTAL REVENUES	<u>\$ 179,269</u>	<u>\$ 182,010</u>	<u>\$ 2,741</u>

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

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2016

	Expenditures		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>LEGISLATIVE</b>			
Township Board:			
Salaries		\$ 6,346	
Per diem		4,134	
Office supplies		1,906	
Auto expense		619	
Printing and publications		1,144	
Miscellaneous		176	
Dues and memberships		25	
Education		99	
Assessments		<u>4,614</u>	
<b>TOTAL LEGISLATIVE</b>	<b>\$ 22,873</b>	<b>\$ 19,063</b>	<b>\$ 3,810</b>
<b>GENERAL GOVERNMENT</b>			
Supervisor:			
Salary		\$ 15,815	
Per diem		1,303	
Office supplies		429	
Education		<u>99</u>	
	<b>\$ 18,615</b>	<b>\$ 17,646</b>	<b>\$ 969</b>
Election:			
Salaries		\$ 1,689	
Office supplies		268	
Auto expense		38	
Miscellaneous		<u>179</u>	
	2,500	\$ 2,174	326
Attorney - contracted services	3,000	2,372	628



STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>GENERAL GOVERNMENT (CONTINUED)</b>			
Assessor:			
Office supplies		\$ 578	
Contracted services		10,032	
Education		<u>174</u>	
	11,032	\$ 10,784	248
Clerk:			
Salary		\$ 15,815	
Per diem		963	
Deputy salary		660	
Office supplies		410	
Auto expense		299	
Education		99	
Professional fees		<u>2,900</u>	
	22,582	\$ 21,146	1,436
Board of review:			
Salaries		\$ 1,667	
Auto expense		78	
Miscellaneous		<u>3</u>	
	2,340	\$ 1,748	592
Treasurer:			
Salaries		\$ 15,815	
Per diem		567	
Deputy salary		65	
Office supplies		633	
Auto expense		103	
Printing and publishing		1,833	
Education		<u>99</u>	
	21,989	\$ 19,115	2,874

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>GENERAL GOVERNMENT (CONTINUED)</b>			
Town hall and property:			
Salaries		\$ 2,466	
Per diem		129	
Supplies		182	
Heating fuel		1,058	
Contracted services		1,715	
Public utilities		5,798	
Repairs and maintenance		541	
Miscellaneous		<u>972</u>	
	14,578	\$ 12,861	1,717
Cemetery - contracted services	<u>5,755</u>	<u>5,755</u>	
TOTAL GENERAL GOVERNMENT	\$ 102,391	\$ 93,601	\$ 8,790
<b>PUBLIC SAFETY -</b>			
Fire protection - contracted services	14,347	14,347	
<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>			
Planning commission:			
Per diem		\$ 680	
Miscellaneous		<u>475</u>	
	\$ 1,920	\$ 1,155	\$ 765
Zoning board:			
Contracted services - inspections		\$ 1,400	
Office supplies		<u>66</u>	
	<u>2,529</u>	<u>\$ 1,466</u>	<u>1,063</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	\$ 4,449	\$ 2,621	\$ 1,828

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -  
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
<b>PUBLIC WORKS</b>			
Highways and streets - construction and maintenance		\$ 38,735	
Street lighting		15,569	
Solid waste collections - Contracted services		<u>11,395</u>	
TOTAL PUBLIC WORKS	\$ 65,921	\$ 65,699	\$ 222
<b>PARKS AND RECREATION</b>			
Parks - contracted services		\$ 2,403	
Library - contracted services		<u>2,880</u>	
TOTAL PARKS AND RECREATION	\$ 5,283	\$ 5,283	
<b>OTHER FUNCTIONS</b>			
Veterans council		\$ 453	
Property and liability insurance		4,507	
Payroll taxes		5,666	
Workers compensation		<u>835</u>	
TOTAL OTHER FUNCTIONS	<u>11,850</u>	<u>11,461</u>	<u>389</u>
TOTAL EXPENDITURES	<u>\$ 227,114</u>	<u>\$ 212,075</u>	<u>\$ 15,039</u>

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

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Trust and Agency			
	Balance at April 1, 2015	Additions	Deductions	Balance at March 31, 2016
<b>ASSETS</b>				
Cash	\$ 593	\$ 20,509	\$ 20,467	\$ 635
<b>LIABILITIES</b>				
Liabilities:				
Due General Fund				
Due State of Michigan	\$ 532	\$ 2,240	\$ 2,198	\$ 574
Due Federal government	61	18,269	18,269	61
Due Gogebic County				
Due to schools				
Due to others				
	\$ 593	\$ 20,509	\$ 20,467	\$ 635

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

AND LIABILITIES - FIDUCIARY FUNDS

WAKEFIELD, MICHIGAN

March 31, 2016

Tax Collection Fund			
Balance at April 1, 2015	Additions	Deductions	Balance at March 31, 2016
<u>\$ 62,223</u>	<u>\$ 1,015,541</u>	<u>\$ 1,014,881</u>	<u>\$ 62,883</u>
	\$ 123,117	\$ 123,117	
\$ 62,223	546,416	545,756	\$ 62,883
	340,998	340,998	
	<u>5,010</u>	<u>5,010</u>	
<u>\$ 62,223</u>	<u>\$ 1,015,541</u>	<u>\$ 1,014,881</u>	<u>\$ 62,883</u>

SUPPLEMENTAL  
REPORTS

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
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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*

Supervisor and Members of the Board  
Township of Wakefield  
Wakefield, 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, each major fund, and the aggregate remaining fund information of Township of Wakefield as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township of Wakefield's basic financial statements, and have issued our report thereon dated September 23, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township of Wakefield'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 of Wakefield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Wakefield'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 certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item (2016-001) that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Township of Wakefield'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 or other matters that are required to be reported under *Government Auditing Standards*.

### **Township of Wakefield's Response to Findings**

Township of Wakefield's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Township of Wakefield'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 Township of Wakefield's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Wakefield's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Makela, Pollack + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
September 23, 2016



SCHEDULE OF FINDINGS

TOWNSHIP OF WAKEFIELD

Year ended March 31, 2016

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SIGNIFICANT DEFICIENCY

(2016-001) Ability to Prepare Financial Statements and Related Note Disclosures

Criteria - Local units of government are required to possess the ability to prepare its financial statements and related disclosures in accordance with generally accepted accounting principles.

Condition - Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Members of the Board. The Township relies on its auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Members of the Board review and accept the financial statements on behalf of the Township.

Effect - We consider this condition to be a significant deficiency.

Cause - The Township does not have staff familiar enough with accounting standards to be able to draft the Township's financial statements and related footnotes.

Recommendation - The hiring of additional personnel to prepare the financial statements would not be cost effective. Members of the Board should remain involved in the financial reporting process to provide oversight and independent review functions.

Management's Response – The Township agrees and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

This matter was noted in prior year audits.

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September 23, 2016

Supervisor and Members of the Board  
Township of Wakefield  
Wakefield, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Township of Wakefield for the year ended March 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 12, 2016. 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 Township of Wakefield are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of Wakefield 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.

Our audit report reported a significant deficiency referred to as items 2016-001.

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 the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was depreciation expense and the estimate of useful lives of depreciable assets.

Management's estimate of the useful lives are based on past practice and the straight-line method of depreciating fixed assets is used.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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Township of Wakefield

September 23, 2016

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 23, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the supplementary information accompanying the financial statements, which is 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.

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We were engaged to report on Other Financial Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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 State 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.

Restriction on Use

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

Very truly yours,

*Makela, Pollack + Ahonen, PLLC*

Certified Public Accountants