

**TOWNSHIP OF PLEASANTON
MANISTEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2019**



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INDEPENDENT AUDITOR'S REPORT

To the Township Board of Trustees
Township of Pleasanton
Bear Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pleasanton, Michigan (the "Township"), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2019, 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

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 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.



Gabridge & Company, PLC
Grand Rapids, MI
September 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Township of Pleasanton
Management's Discussion and Analysis
March 31, 2019**

As management of the Township of Pleasanton, Michigan (the "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$481,109 (net position). Of this amount, \$312,897 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- During the year, the Township received \$212,279 in revenues and \$187,091 in expenses, resulting in an increase in net position of \$25,188.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$312,897, or approximately 197.1% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation of capital assets).

Both of the government-wide financial statements display functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The

governmental activities of the Township include general government, public works, community and economic development, recreation and culture, and public safety.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

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

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

The Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and fire fund, which are both considered to be major funds.

The Township adopts an annual appropriated budget for the general fund and each of its special revenue funds. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township has one type of fiduciary fund, an *agency fund*.

The *agency funds* report resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township’s budgetary comparison schedules.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Township, assets exceeded liabilities by \$481,109 at the close of the most recent fiscal year. Following is a schedule showing assets, liabilities, and net position of the Township for the two most recently audited fiscal years:

Township of Pleasanton's Net Position

	2019	2017
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 388,195	\$ 323,799
Taxes Receivable	10,435	8,413
Due from State	10,812	11,367
Total Current Assets	409,442	343,579
<i>Noncurrent Assets</i>		
Capital Assets (Net)	82,763	85,633
Total Assets	492,205	429,212
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	5,747	2,509
Accrued Payroll and Related Liabilities	5,349	5,837
Total Liabilities	11,096	8,346
NET POSITION		
Investment in Capital Assets	82,763	85,633
Restricted	85,449	65,044
Unrestricted	312,897	270,189
Total Net Position	\$ 481,109	\$ 420,866

A portion of the Township’s net position (\$82,763, or 17.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township’s net position (\$85,449, or 17.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$312,897, or 65.0%, is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors.

Cash increased by \$64,396 from the prior audited year for an ending balance of \$388,195 due to increases in net position.

The following is a schedule showing revenues, expenses, and changes in net position of the Township for the two most recently audited fiscal years:

Township of Pleasanton's Changes in Net Position

	<u>2019</u>	<u>2017</u>
Program Revenues		
Charges for Services	\$ 14,686	\$ 12,193
Total Program Revenues	<u>14,686</u>	<u>12,193</u>
General Revenues		
Property Taxes	123,909	117,354
State Revenue Sharing	73,018	68,057
Sale of Timber	-	39,520
Investment Income	666	547
Total Revenues	<u>212,279</u>	<u>237,671</u>
Expenses		
General Government	111,072	103,193
Public Safety	26,950	23,082
Public Works	30,894	58,640
Community and Economic Development	9,794	9,426
Recreation and Culture	8,381	4,036
Total Expenses	<u>187,091</u>	<u>198,377</u>
Increase / Decrease in Net Position	25,188	39,294
Beginning Net Position	<u>455,921</u>	<u>381,572</u>
Ending Net Position	<u>\$ 481,109</u>	<u>\$ 420,866</u>

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its governmental activities. The same situation held true for the prior fiscal year.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$25,188 from the prior fiscal year for an ending balance of \$481,109. Revenues decreased when compared to the prior audited year due to the prior having a one-time sale of timber of \$39,520. Public works expenses decreased as the Township had no road repair and maintenance projects during the year.

Financial Analysis of Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township’s Board.

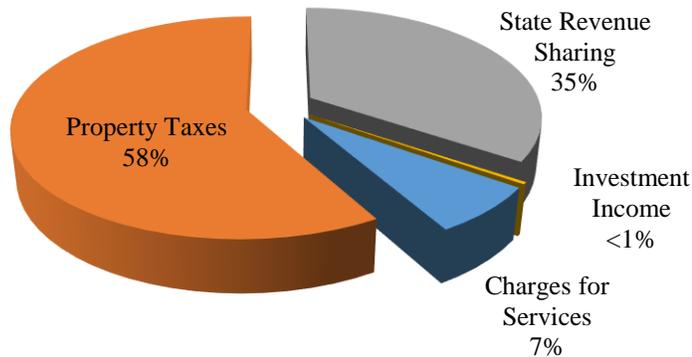
The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$312,897. As a measure of the general fund’s liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 197.1% of total general fund expenditures. The fund balance of the Township’s general fund increased by \$28,325 during the current fiscal year for an ending balance of \$335,248. Total fund balance represents approximately 211.2% of total general fund expenditures.

The fire fund accounts for the revenue and expenses the township incurs for fire protection. At the end of the current fiscal year, fund balance of the fire fund was \$63,098. The fund balance of the Township’s fire fund decreased by \$1,757 during the current fiscal year.

Governmental Activities

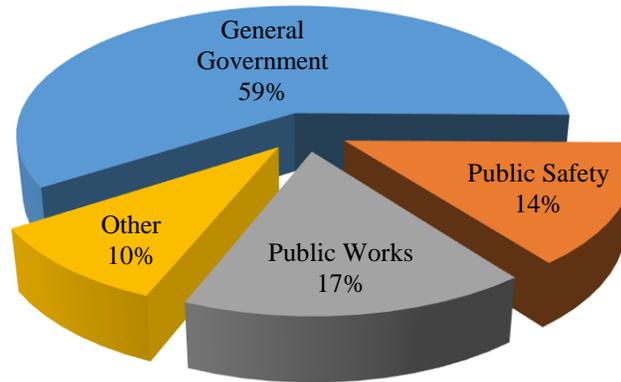
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any amendments to alter either the original estimated revenues or the original budgeted appropriations.

Final budget compared to actual results. During the current fiscal year the Township had no expenditures in excess of the amounts appropriated.

Capital Assets and Debt Administration

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2019 amounts to \$82,763 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment. The total decrease in capital assets for the current fiscal year was approximately 1.6%. More detailed information about the Township's capital assets can be found in Note 4 of the Notes to the Financial Statements section of this document.

Long-term Debt

The Township continued to remain debt free during the fiscal year.

Economic Condition and Outlook

Management anticipates roughly \$180,000 of revenues to be available for appropriation in the general fund in the upcoming budget year. Expenditures are expected to change by small amounts compared to 2019. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any

necessary amendments. In 2020, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors 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:

Township of Pleasanton
8958 Lumley Road
Bear Lake, MI 49614
Ph | 231.864.2584

BASIC FINANCIAL STATEMENTS

**Township of Pleasanton
Statement of Net Position
March 31, 2019**

ASSETS

Current Assets

Cash and Cash Equivalents	\$	388,195
Taxes Receivable		10,435
Due from State		10,812
<i>Total Current Assets</i>		409,442

Noncurrent Assets

Capital Assets not being Depreciated		70,000
Capital Assets being Depreciated		12,763
<i>Total Assets</i>		492,205

LIABILITIES

Current Liabilities

Accounts Payable		5,747
Accrued Payroll and Related Liabilities		5,349
<i>Total Liabilities</i>		11,096

NET POSITION

Investment in Capital Assets		82,763
<i>Restricted for:</i>		
Public Safety		63,098
Roads		22,351
<i>Unrestricted</i>		312,897
<i>Total Net Position</i>	\$	481,109

**Township of Pleasanton
Statement of Activities
For the Year Ended March 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 111,072	\$ 10,721	\$ --	\$ --	\$ (100,351)
Public Works	30,894	--	--	--	(30,894)
Community and Economic Development	9,794	3,965	--	--	(5,829)
Recreation and Culture	8,381	--	--	--	(8,381)
Public Safety	26,950	--	--	--	(26,950)
Total	\$ 187,091	\$ 14,686	\$ --	\$ --	\$ (172,405)

General Purpose Revenues:

Revenues

Property Taxes	123,909
State Sources	73,018
Interest Income	666
Total General Revenues	197,593
Change in Net Position	25,188
<i>Net Position at Beginning of Period</i>	455,921
Net Position at End of Period	\$ 481,109

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Pleasanton
Balance Sheet
Governmental Funds
March 31, 2019**

	<u>Special Revenue</u>		Total Governmental Funds
	<u>General</u>	<u>Fire Fund</u>	
ASSETS			
Cash and Cash Equivalents	\$ 327,705	\$ 60,490	\$ 388,195
Taxes Receivable	7,827	2,608	10,435
Due from State	10,812	--	10,812
<i>Total Assets</i>	<u>\$ 346,344</u>	<u>\$ 63,098</u>	<u>\$ 409,442</u>
LIABILITIES			
Accounts Payable	\$ 5,747	\$ --	\$ 5,747
Accrued Payroll and Related Liabilities	5,349	--	5,349
<i>Total Liabilities</i>	<u>11,096</u>	<u>--</u>	<u>11,096</u>
FUND BALANCE			
Restricted	22,351	63,098	85,449
Unassigned	312,897	--	312,897
<i>Total Fund Balance</i>	<u>335,248</u>	<u>63,098</u>	<u>398,346</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 346,344</u>	<u>\$ 63,098</u>	<u>\$ 409,442</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Pleasanton
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2019

Total Fund Balance - Governmental Funds	\$ 398,346
General government capital assets of \$106,629, net of accumulated depreciation of \$23,866, are not financial resources and, accordingly, are not reported in the funds.	82,763
Total Net Position - Governmental Activities	\$ <u>481,109</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Pleasanton
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2019

	<u>Special Revenue</u>		Total Governmental Funds
	<u>General</u>	<u>Fire Fund</u>	
Revenues			
Property Taxes	\$ 98,716	\$ 25,193	\$ 123,909
Licenses and Permits	4,365	--	4,365
State Sources	73,018	--	73,018
Charges for Services	6,900	--	6,900
Interest and Rents	3,226	--	3,226
Other	861	--	861
<i>Total Revenues</i>	187,086	25,193	212,279
Expenditures			
General Government	109,692	--	109,692
Public Safety	--	26,950	26,950
Public Works	30,894	--	30,894
Community and Economic Development	9,794	--	9,794
Recreation and Culture	8,381	--	8,381
<i>Total Expenditures</i>	158,761	26,950	185,711
<i>Excess of Revenues Over (Under) Expenditures</i>	28,325	(1,757)	26,568
<i>Net Change in Fund Balance</i>	28,325	(1,757)	26,568
<i>Fund Balance at Beginning of Period</i>	306,923	64,855	371,778
<i>Fund Balance at End of Period</i>	\$ 335,248	\$ 63,098	\$ 398,346

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Pleasanton
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	26,568
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense of \$1,380.

	(1,380)
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Changes in Net Position - Governmental Activities	\$	<u>25,188</u>
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Township of Pleasanton
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
March 31, 2019

	Agency
ASSETS	
Cash and Cash Equivalents	\$ 11,708
<i>Total Assets</i>	11,708
LIABILITIES	
Due to Other Units of Government	11,708
<i>Total Liabilities</i>	\$ 11,708

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Township of Pleasanton

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Pleasanton (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) 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.

Reporting Entity

The Township is located in Manistee County, Michigan, and provides services to its residents in many areas including fire protection, community enrichment and development, and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer and two trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Township of Pleasanton

Notes to the 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, except for agency funds which do not have a measurement focus. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, 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.

The Township of Pleasanton reports the following major governmental funds:

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

The ***fire fund*** accounts for the townships fire protection services. Funding is primarily through property tax revenue.

In addition the Township reports the following fund types.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Township of Pleasanton

Notes to the Financial Statements

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level in the general fund and the functional level for all other funds.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2019. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The Township's 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.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than

Township of Pleasanton

Notes to the Financial Statements

270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

- Repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described above if purchased through an inter-local agreement under the Urban Cooperation Act of 1967.
- Investment pools organized under the Surplus Fund Investment Pool Act (Public Act 367 of 1982)

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000 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 acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Land improvements, buildings and improvements, and equipment are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Improvements	15 - 40
Equipment	3 - 7

Township of Pleasanton

Notes to the Financial Statements

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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 or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution or motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or motion remains in place until a similar action is taken (the adoption of another resolution or motion) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township

Township of Pleasanton

Notes to the Financial Statements

Board can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board.

Revenues and Expenditures / Expenses

Property Tax Revenue Recognition

The Township's property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payment from the county for the 2019 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the general fund.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Excess of Expenditures over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Township had no expenditures in excess of the amounts appropriated during the year ended March 31, 2019.

Note 3 - Cash

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in note 1. The Township's deposits and investment policy are in accordance with statutory authority.

Township of Pleasanton

Notes to the Financial Statements

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

Statement of Net Position	
Cash and Cash Equivalents	\$ 388,195
Statement of Fiduciary Assets and Liabilities	
Cash and Cash Equivalents	11,708
Total Deposits	\$ 399,903

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$105,499 of the Township's book balance of \$406,754 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity for the year ended March 31, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Capital Assets Being Depreciated				
Buildings and Improvements	23,797	-	-	23,797
Equipment	12,832	-	-	12,832
Subtotal	36,629	-	-	36,629
Accumulated Depreciation				
Buildings and Improvements	9,654	1,380	-	11,034
Equipment	12,832	-	-	12,832
Subtotal	22,486	1,380	-	23,866
Capital Assets Being Depreciated, Net	14,143	(1,380)	-	12,763
Capital Assets, Net	\$ 84,143	\$ (1,380)	\$ -	\$ 82,763

Depreciation expense of \$1,380 was charged to the general government function of the Township.

Township of Pleasanton

Notes to the Financial Statements

Note 5 - Defined Contribution Pension Plan

The Township provides a defined contribution plan to all of its elected officials and full time employees through a defined contribution plan administered by Metlife & Voya. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the plan is funded by participants to the extent they elect to defer the compensation into the plan, and by a matching contribution from the Township. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately upon deposit of the contribution by the Township. The Township's current year contribution cost was \$6,735.

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Contingent Liabilities

The Township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Township's management estimate that the potential claims against the Township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Township.

Management is not aware of any subsequent events as of September 17, 2019 that would have a material effect on the financial condition of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Pleasanton
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 94,985	\$ 94,985	\$ 98,716	\$ 3,731
Licenses and Permits	2,900	2,900	4,365	1,465
State Sources	70,000	70,000	73,018	3,018
Charges for Services	1,500	1,500	6,900	5,400
Interest and Rents	1,900	1,900	3,226	1,326
Other	1,500	1,500	861	(639)
Total Revenues	<u>172,785</u>	<u>172,785</u>	<u>187,086</u>	<u>14,301</u>
Expenditures				
General Government				
Legislative	41,900	41,900	30,549	11,351
Supervisor	7,350	7,350	6,672	678
Clerk	14,250	14,250	13,734	516
Board of Review	2,550	2,550	1,881	669
Treasurer	14,350	14,350	13,853	497
Assessor	15,715	15,715	15,000	715
Elections	8,650	8,650	4,761	3,889
Building and Grounds	14,821	14,821	9,546	5,275
Other General Government	13,716	13,716	13,696	20
Total General Government	<u>133,302</u>	<u>133,302</u>	<u>109,692</u>	<u>23,610</u>
Public Works	39,314	39,314	30,894	8,420
Community and Economic Development	20,450	20,450	9,794	10,656
Recreation and Culture	17,500	17,500	8,381	9,119
Total Expenditures	<u>210,566</u>	<u>210,566</u>	<u>158,761</u>	<u>51,805</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(37,781)</u>	<u>(37,781)</u>	<u>28,325</u>	<u>66,106</u>
Net Change in Fund Balance	<u>(37,781)</u>	<u>(37,781)</u>	<u>28,325</u>	<u>66,106</u>
<i>Fund Balance at Beginning of Period</i>	306,923	306,923	306,923	--
Fund Balance at End of Period	<u>\$ 269,142</u>	<u>\$ 269,142</u>	<u>\$ 335,248</u>	<u>\$ 66,106</u>

Township of Pleasanton
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended March 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 24,000	\$ 24,000	\$ 25,193	\$ 1,193
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>25,193</u>	<u>1,193</u>
Expenditures				
Public Safety				
Fire	26,950	26,950	26,950	--
Total Expenditures	<u>26,950</u>	<u>26,950</u>	<u>26,950</u>	<u>--</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(2,950)</u>	<u>(2,950)</u>	<u>(1,757)</u>	<u>1,193</u>
Net Change in Fund Balance	<u>(2,950)</u>	<u>(2,950)</u>	<u>(1,757)</u>	<u>1,193</u>
<i>Fund Balance at Beginning of Period</i>	64,855	64,855	64,855	--
Fund Balance at End of Period	<u>\$ 61,905</u>	<u>\$ 61,905</u>	<u>\$ 63,098</u>	<u>\$ 1,193</u>

September 17, 2019

To the Township Board of Trustees
Township of Pleasanton
Bear Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Pleasanton (the "Township") for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 9, 2019. 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 Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2019. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, 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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Due from State in the general fund had to be decreased by \$555 to report the state revenue sharing receivable as of March 31, 2019.
- Delinquent taxes receivable in the general fund had to be increased by \$1,277, and the fire fund had to be increased by another \$745, to record taxes receivable from the County as of March 31, 2019 related to the 2018 tax roll.
- Accounts payable in the general fund had to be increased by \$3,238 to properly accrue current year expenditures not yet paid as of March 31, 2019.

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 17, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 have 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 deficiencies to be material weaknesses:

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 management. 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.

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.

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. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Lack of segregation of incompatible duties:

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Township. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition/Finding: The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include payroll, cash receipts and accounts payable transactions.

Cause: This condition is a result of the limited size of the Township's accounting staff.

Effect: As a result of this condition, the Township is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

Auditor's Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Management's Response: The Township concurs with this finding. The Township will require appropriate sign-offs of a second responsible person for key accounting functions.

We did not audit the Township's responses to the internal control findings described above and, accordingly, we express no opinion on it.

Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI