

BOARDMAN TOWNSHIP, KALKASKA COUNTY

SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
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BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

JUNE 30, 2014

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September 29, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township, Kalkaska County, South Boardman, Michigan as of June 30, 2014, and the respective changes in financial position 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 iii-x and 17 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

As management of Boardman Township (“the Township”), 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 June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Township is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Township has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

Financial Highlights

Government-Wide

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,308,351 (shown as *Net Position*). Of this amount, \$402,477 (*Unrestricted Net Position*) may be used to meet the Township’s ongoing obligations to citizens and creditors.
- The Township’s net position increased by \$61,618 during the fiscal year.

Fund Level Financial Highlights

- As of the close of the current fiscal year, the Township’s governmental funds reported combined ending fund balances of \$594,672, an increase of \$101,675 in comparison with the prior year. \$365,424 is available for spending at the Township’s discretion.

Overview of the Financial Statements

This discussion and analysis 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) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Township’s financial position, in a manner similar to a private-sector business.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The *Statement of Net Position* presents information on all of the Township's assets and liabilities, with the difference between the two 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. An increase in net position would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net position may indicate a decline in the financial health of an organization.

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 when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions.

The government-wide financial statements can be found on pages 1-2 of this report.

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 evaluating a government's near-term financing requirements.

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The Township maintains three 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 balance for the General Fund, Fire Fund, and Road Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs. These funds are accounted for using the full accrual method of accounting.

Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 8 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The net position of the Township was \$1,308,351 at June 30, 2014, meaning that the Township's assets were greater than its liabilities by this amount.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Boardman Township
Net Position as of June 30, 2014

Assets

Current Assets	<u>\$ 594,672</u>
Non Current Assets	
Capital Assets	1,269,161
Less: Accumulated Depreciation	<u>(555,482)</u>
Total Non Current Assets	<u>713,679</u>
Total Assets	<u><u>1,308,351</u></u>

Liabilities

Current Liabilities	<u>0</u>
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Net Position

Net Investment in Capital Assets	713,679
Restricted	192,195
Unrestricted	<u>402,477</u>
Total Net Position	<u><u>\$ 1,308,351</u></u>

The most significant portion (55%) of the Township's Net Position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (14.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$402,477, may be used to meet the Township's ongoing obligations to citizens and creditors.

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

The total net position of the Township increased by \$61,618 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year started.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The following table illustrates the results of the changes in the net position for the Township. The condensed information was derived from the Government-Wide Statement of Activities.

Boardman Township
Change in Net Position
for Fiscal Year Ended June 30, 2014

Revenues

Program Revenues

Charges for Services	\$ 16,888
Operating Grants and Contributions	2,948

General Revenues

Property Taxes	157,063
State Grants	114,774
Investment Earnings	507
Other	1,806

Total Revenues

293,986

Expenses

General Government	93,828
Public Safety	72,070
Public Works	44,769
Health and Welfare	362
Community and Economic Development	3,731
Recreation and Culture	13,751
Other Functions	3,857

Total Expenses

232,368

Change in Net Position

61,618

NET POSITION - Beginning of Year

1,246,733

NET POSITION - End of Year

\$ 1,308,351

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Governmental Activities

The governmental activities accounted for an increase of \$61,618 in the Township's net position. The most significant part of the revenue for all governmental activities of the Township comes from property taxes.

The Township's governmental activities expenses are dominated by General Government expenses of \$93,828. Public Safety represented the next largest expense at \$72,070 followed by public works at \$44,769.

Financial Analysis of the Government's Funds

Governmental Funds – At the completion of the Township's fiscal year ended June 30, 2014, its governmental funds reported fund balances of \$594,672; \$365,424 of this amount is unassigned.

General Fund – The General Fund's fund balance increased by \$37,871 which brings the fund balance to \$402,477. Of the total fund balance, \$365,424 is unassigned while \$3,190 is non-spendable for prepaid expenditures and \$33,863 is assigned for subsequent year budget.

Fire Fund – The Fire Fund's fund balance decreased by \$1,319 which brings the fund balance to \$41,354. This balance is restricted and must be used for fire protection.

The Township levied a fire millage on the 2013 tax roll. This resulted in \$35,904 in tax related revenues during the current fiscal year. The Township also contracts with Orange Township for fire protection which generated \$10,523 in revenues for Boardman Township.

Road Fund – The Road Fund increased its fund balance by \$65,123 which brings the fund balance to \$150,841. The balance is restricted and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2013 tax roll. Tax related revenues totaled \$71,809 for the current fiscal year.

General Fund Budgetary Highlights

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$ 136,471</u>	<u>\$ 136,471</u>	<u>\$ 175,560</u>
Total Expenditures	<u>\$ 180,671</u>	<u>\$ 180,671</u>	<u>\$ 137,689</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

There were no major amendments to the individual line items in the revenue or expenditure budget. To review changes in line items and variance detail between the final budget and actual expenditures, see the required supplementary information on page 17.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2014 amounted to \$713,679 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Boardman Township
Capital Assets as of June 30, 2014

Land	\$ 147,245
Land Improvements	24,494
Buildings	13,978
Machinery and Equipment	386,028
Infrastructure	<u>697,416</u>
	1,269,161
Less Accumulated Depreciation	<u>(555,482)</u>
Net Capital Assets	<u><u>\$ 713,679</u></u>

Major capital asset additions during the current fiscal year included the following:

- ◆ A leaf vacuum purchased for the general fund at a cost of \$1,403.
- ◆ A parcel of land purchased for the general fund at a cost of \$2,232.
- ◆ Engineering costs of \$6,738 related to road work to be performed in the subsequent year.

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements section.

Economic Condition and Outlook

It appears that state shared revenues have stabilized and may increase in 2014-2015.

This factor was considered in preparing the Township's budgets for the 2014-2015 fiscal year.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Request for Information

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and to demonstrate the Township's accountability for the financial resources entrusted to it. If you have any questions regarding this report or need additional financial information, please contact Boardman Township at 4855 Pine Street, South Boardman, Michigan 49680.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 552,787
Prepaid Expenses	3,190
Receivables	
External Parties (Fiduciary Funds)	35
Due from Other Governments	38,660
	<hr/>
Total Current Assets	594,672
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	147,245
Land Improvements	24,494
Buildings	13,978
Machinery and Equipment	386,028
Infrastructure	697,416
	<hr/>
	1,269,161
Less Accumulated Depreciation	(555,482)
Net Capital Assets	713,679
	<hr/>
TOTAL ASSETS	1,308,351
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
	<hr/>
	0
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	713,679
Restricted for Fire Protection	41,354
Restricted for Road Improvements	150,841
Unrestricted	402,477
	<hr/>
TOTAL NET POSITION	\$ 1,308,351
	<hr/> <hr/>

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
General Government	\$ 93,828	\$ 5,765	\$ 0	\$ (88,063)
Public Safety	72,070	11,123	0	(60,947)
Public Works	44,769	0	2,948	(41,821)
Health and Welfare	362	0	0	(362)
Community and Economic Development	3,731	0	0	(3,731)
Recreation and Culture	13,751	0	0	(13,751)
Other Functions	3,857	0	0	(3,857)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 232,368	\$ 16,888	\$ 2,948	(212,532)
<u>GENERAL REVENUES</u>				
Property Taxes				157,063
State Grants				114,774
Investment Earnings				507
Other				1,806
Total General Revenues				274,150
Change in Net Position				61,618
<u>NET POSITION</u> - Beginning of Year				1,246,733
<u>NET POSITION</u> - End of Year				\$ 1,308,351

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2014

	GENERAL FUND	FIRE FUND	ROAD FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 359,003	\$ 42,943	\$ 150,841	\$ 552,787
Prepaid Expenditures	3,190	0	0	3,190
Due from Other Funds	1,624	0	0	1,624
Due from Other Governments	38,660	0	0	38,660
TOTAL ASSETS	<u>\$ 402,477</u>	<u>\$ 42,943</u>	<u>\$ 150,841</u>	<u>\$ 596,261</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 1,589	\$ 0	\$ 1,589
<u>FUND BALANCE</u>				
Non-Spendable:				
Prepaid Expenditures	3,190	0	0	3,190
Restricted for:				
Fire Protection	0	41,354	0	41,354
Road Improvements	0	0	150,841	150,841
Assigned for Subsequent Year Budget	33,863	0	0	33,863
Unassigned	365,424	0	0	365,424
Total Fund Balance	<u>402,477</u>	<u>41,354</u>	<u>150,841</u>	<u>594,672</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 402,477</u>	<u>\$ 42,943</u>	<u>\$ 150,841</u>	<u>\$ 596,261</u>

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances for Governmental Funds \$ 594,672

Amounts reported for governmental activities in the
Statement of Net Position are different because:

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

Land	\$ 147,245	
Land Improvements	24,494	
Buildings	13,978	
Machinery and Equipment	386,028	
Infrastructure	697,416	
Accumulated Depreciation	(555,482)	713,679

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,308,351

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2014

	<u>GENERAL</u> <u>FUND</u>	<u>FIRE</u> <u>FUND</u>	<u>ROAD</u> <u>FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>				
Taxes	\$ 49,350	\$ 35,904	\$ 71,809	\$ 157,063
Licenses and Permits	600	0	0	600
State Grants	117,722	0	0	117,722
Contributions from Local Units	0	10,523	0	10,523
Charges for Services	5,765	0	0	5,765
Interest and Rents	442	13	52	507
Other Revenues	1,681	125	0	1,806
Total Revenues	<u>175,560</u>	<u>46,565</u>	<u>71,861</u>	<u>293,986</u>
<u>EXPENDITURES</u>				
General Government	95,341	0	0	95,341
Public Safety	12,000	47,884	0	59,884
Public Works	10,235	0	6,738	16,973
Health and Welfare	362	0	0	362
Community and Economic Development	3,731	0	0	3,731
Recreation and Culture	12,163	0	0	12,163
Other Functions	3,857	0	0	3,857
Total Expenditures	<u>137,689</u>	<u>47,884</u>	<u>6,738</u>	<u>192,311</u>
Excess (Deficiency) of Revenues Over Expenditures	37,871	(1,319)	65,123	101,675
<u>FUND BALANCE</u> - Beginning of Year	<u>364,606</u>	<u>42,673</u>	<u>85,718</u>	<u>492,997</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 402,477</u>	<u>\$ 41,354</u>	<u>\$ 150,841</u>	<u>\$ 594,672</u>

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 101,675
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(50,430)
Capital Outlay	<u>10,373</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 61,618</u></u>
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The accompanying notes are an integral part of the financial statements.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 562</u>
<u>LIABILITIES</u>	
Due to Other Funds	35
Due to Other Governments	<u>527</u>
 TOTAL LIABILITIES	 <u>562</u>
 <u>NET POSITION</u>	 <u>\$ 0</u>

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

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Boardman Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Boardman Township is a general law township located in Kalkaska County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Boardman Township 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 revenue sources that are legally restricted to expenditures for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Additionally the Boardman Township reports the following fund type:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Property taxes, franchise taxes, licenses, interest and special assessments 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

- a) Prior to June 30, the Township Clerk submits to the Township Board a proposed operating budget for the governmental fund for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to June 30, the budget is legally enacted through passage of a budget ordinance. Budgets are submitted on a line-item basis but adopted by the Township board on a major function basis.
- d) Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- e) The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end.
- f) Encumbrance accounting is not used by the Township.

2. Excess of Expenditures over Appropriations

Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Community and Economic Development		
Zoning	\$ 3,500	\$ 3,731
Other Functions	0	3,857

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government'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.

Investments - The Township's investment policy is in compliance with state law and authorizes the Township to invest in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

2. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	20
Public Domain Infrastructure	20-50
Vehicles	5
Equipment	5-10

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any deferred inflows of resources.

5. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond 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 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.

6. *Fund Balance Flow Assumption*

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.

7. *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. 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 governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 board may also 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 addition action is essential to either remove or revise a commitment.

8. *Use of Estimates*

The presentation 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 and disclosure of contingent 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.

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, county taxes, and school taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations.

The 2013 taxable valuation of the local governmental unit totaled \$35,867,333 million, on which ad valorem taxes levied consisted of .8606 mills for the local governmental operating purposes, 1.000 mill for fire protection, and 2.0000 mills for road maintenance, raising \$30,855 for operating, \$35,904 for fire protection, and \$71,809 for road maintenance. These amounts are recognized in the respective General Fund, Fire Fund, and Road Fund financial statements as tax revenue.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2014. It also explains the provision provided by law that was used to remedy the violation.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. As of June, 2014, none of the Township’s bank balance of \$556,533 was exposed to custodial credit risk because it was insured and collateralized. Although it is not specifically addressed in the Township’s investment policy, the Township typically limits its exposure to this type of risk by controlling who holds its deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

B. Receivables

Receivables as of year-end for the government’s individual major funds are as follows:

	General	Fire	Road	Total
Due from Other Governments	\$ 38,660	\$ 0	\$ 0	\$ 38,660
Total Receivables	\$ 38,660	\$ 0	\$ 0	\$ 38,660

The Due from Other Governments consists of amounts due from the State for state shared revenues. By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 145,013	\$ 2,232	\$ 0	\$ 147,245
Capital Assets, Being Depreciated				
Land Improvements	24,494	0	0	24,494
Infrastructure	690,678	6,738	0	697,416
Buildings	13,978	0	0	13,978
Equipment	384,625	1,403	0	386,028
Total Capital Assets, Being Depreciated	1,113,775	8,141	0	1,121,916
Less Accumulated Depreciation for:				
Land Improvements	9,911	1,466	0	11,377
Infrastructure	142,060	34,534	0	176,594
Buildings	10,079	399	0	10,478
Equipment	343,002	14,031	0	357,033
Total Accumulated Depreciation	505,052	50,430	0	555,482
Total Capital Assets, Being Depreciated, Net	608,723	(42,289)	0	566,434
Governmental Activities Capital Assets, Net	\$ 753,736	\$ (40,057)	\$ 0	\$ 713,679

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,122
Public Safety	12,186
Public Works	34,534
Culture and Recreation	1,588
Total Governmental Activities	<u>\$ 50,430</u>

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Interfund Receivables, Payables and Transfers

There were no individual fund interfund receivables, payables, or transfer balances as of June 30, 2014.

E. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

BOARDMAN TOWNSHIP, KALKASKA COUNTY
SOUTH BOARDMAN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	GENERAL FUND			FIRE FUND			ROAD IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES									
Taxes	\$ 23,500	\$ 23,500	\$ 49,350	\$ 35,894	\$ 35,894	\$ 35,904	\$ 71,788	\$ 71,788	\$ 71,809
Licenses and Permits	0	0	600	0	0	0	0	0	0
State Grants	112,471	112,471	117,722	0	0	0	0	0	0
Contributions from Local Units	0	0	0	10,476	10,476	10,523	0	0	0
Charges for Services	0	0	5,765	0	0	0	0	0	0
Interest and Rents	500	500	442	0	0	13	0	0	52
Other Revenues	0	0	1,681	0	0	125	0	0	0
Total Revenues	136,471	136,471	175,560	46,370	46,370	46,565	71,788	71,788	71,861
EXPENDITURES									
General Government									
Township Board	25,000	25,000	9,976	0	0	0	0	0	0
Supervisor	14,000	14,511	14,511	0	0	0	0	0	0
Election	4,000	4,000	1,585	0	0	0	0	0	0
Assessor	14,500	14,500	13,342	0	0	0	0	0	0
Clerk	18,500	19,499	19,499	0	0	0	0	0	0
Board of Review	2,000	2,000	1,135	0	0	0	0	0	0
Treasurer	19,500	19,542	19,542	0	0	0	0	0	0
Building and Grounds	10,000	10,000	7,075	0	0	0	0	0	0
Legal Fees	3,000	3,000	2,468	0	0	0	0	0	0
Cemetery	7,000	7,000	6,208	0	0	0	0	0	0
Public Safety									
Police	12,000	12,000	12,000	0	0	0	0	0	0
Liquor Law Enforcement	577	577	0	0	0	0	0	0	0
Fire Protection	0	0	0	60,000	60,000	47,884	0	0	0
Public Works									
Highways	0	0	0	0	0	0	84,958	84,958	6,738
Street Lighting	3,200	3,452	3,452	0	0	0	0	0	0
Refuse Collection/Disposal	6,500	6,783	6,783	0	0	0	0	0	0
Health and Welfare									
Hospital	394	394	362	0	0	0	0	0	0
Community and Economic Development									
Zoning	3,500	3,500	3,731	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	12,000	12,163	12,163	0	0	0	0	0	0
Other Functions	0	0	3,857	0	0	0	0	0	0
Contingency	25,000	22,750	0	0	0	0	0	0	0
Total Expenditures	180,671	180,671	137,689	60,000	60,000	47,884	84,958	84,958	6,738
Excess (Deficiency) of Revenues									
Over Expenditures	(44,200)	(44,200)	37,871	(13,630)	(13,630)	(1,319)	(13,170)	(13,170)	65,123
FUND BALANCE - Beginning of Year	46,539	46,539	364,606	0	0	42,673	0	0	85,718
FUND BALANCE (DEFICIT) - End of Year	\$ 2,339	\$ 2,339	\$ 402,477	\$ (13,630)	\$ (13,630)	\$ 41,354	\$ (13,170)	\$ (13,170)	\$ 150,841



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September 29, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Boardman Township for the year ended June 30, 2014. 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 September 17, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Boardman Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no 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 misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 29, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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.

During the course of our audit of the basic financial statements of Boardman Township for the year ended June 30, 2014, we noted the following item which we feel deserves comment:

Reconciliations of Clerk and Treasurer Ledgers

We recommend that the Treasurer and Clerk reconcile their bank account balances with each other on a monthly basis. A complete and accurate bank reconciliation that reconciles from the bank balance to the book balance should be prepared each month for each bank account. This will facilitate a continuous balancing of records and help strengthen internal controls.

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

BAIRD, COTTER AND BISHOP, P.C.

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September 29, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Boardman Township
Kalkaska County
South Boardman, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Boardman Township as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Boardman Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstance 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 Boardman Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Boardman 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 significant deficiencies or material weaknesses and therefore significant deficiencies or material weaknesses may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Boardman Township's internal control to be material weaknesses:

1) Lack of Segregation of Duties

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

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities detailed above may be occurring on a routine basis, but are not being documented.

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

Recommendation: 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. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Corrective Action Plan: With the status of state funding, the Township is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. Management will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

2) Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's 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 books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

We noted certain matters that we reported to management of Boardman Township in a separate letter dated September 29, 2014.

Boardman Township's response to the findings identified in our audit is described above. We did not audit Boardman Township's response and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.