

CARP LAKE TOWNSHIP  
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
WITH REQUIRED SUPPLEMENTARY  
INFORMATION  
for the year ended March 31, 2014



**RASMUSSEN, TELLER, O'NEIL & CHRISTMAN**

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES	9
BALANCE SHEET - GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	13
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS	14
NOTES TO FINANCIAL STATEMENTS	15-22
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND	23
BUDGETARY COMPARISON SCHEDULE - ROAD FUND	24
BUDGETARY COMPARISON SCHEDULE - FIRE FUND	25



# RASMUSSEN, TELLER, O'NEIL & CHRISTMAN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

January 7, 2015

## INDEPENDENT AUDITORS' REPORT

To the Township Board of

Carp Lake Township:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carp Lake Township, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the 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 Carp Lake Township, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *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 3 through 7 and 23 through 25 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.

*Rasmussen, Teller, O'Neil and Christman, P.C.*

CARP LAKE TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2014

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detailed data.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net position and how it has changed. Net position is the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net position is an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

CARP LAKE TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2014

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

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

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of 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 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.

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 balances for the general fund, fire fund, and road fund, all of which are considered to be major funds.

A budgetary comparison schedule has been provided for the major budgetary funds to demonstrate compliance with their annual appropriated budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statement because the resources of those funds are not available to support the Township's own programs.

There are no business-type activities or component units.

CARP LAKE TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2014

**GOVERNMENT-WIDE AND FUND FINANCIAL ANALYSIS**

The Township's net position for the governmental funds is \$937,132 for the fiscal year ended March 31, 2014. Since the Township is only required to have an audit performed every two years, we are using the last audited information for comparative analysis.

Net Position as of March 31, 2014 and 2012

	<u>Governmental Activities</u>		
	<u>3/31/14</u>	<u>3/31/12</u>	<u>Difference</u>
Current assets	\$ 720,170	\$ 733,203	\$ (13,033)
Capital assets (net)	223,629	259,219	(35,590)
Total assets	<u>\$ 943,799</u>	<u>\$ 992,422</u>	<u>\$ (48,623)</u>
Current liabilities	\$ 6,667	\$ 13,774	\$ (7,107)
Long-term liabilities	-	5,531	(5,531)
Total liabilities	<u>\$ 6,667</u>	<u>\$ 19,305</u>	<u>\$ (12,638)</u>
Net Position:			
Invested in capital assets	\$ 223,629	\$ 248,013	\$ (24,384)
Nonspendable	-	5,434	(5,434)
Restricted	189,728	195,261	(5,533)
Unrestricted	523,775	524,409	(634)
Total net position	<u><u>\$ 937,132</u></u>	<u><u>\$ 973,117</u></u>	<u><u>\$ (35,985)</u></u>

**Governmental Activities** - At the completion of the Township's fiscal year ended March 31, 2014, its governmental funds reported a net position of \$937,132. Of this amount \$223,629 is invested in capital assets, \$110,666 is restricted for fire protection, and \$79,062 is restricted for road work. The remaining balance of \$523,775 represents unrestricted net position that may be used to meet the Township's ongoing obligations to citizens and creditors.

**General Fund** - The General Fund is the main operating fund of the Township. The General Fund increased its fund balance in the current fiscal year by \$19,559, bringing the balance to \$519,983. This increase was greater than what was budgeted by \$19,559, as a result of revenues being greater than budgeted amounts and expenses being less than budgeted amounts.

**Road Fund** - The Road Fund ended the year with restricted fund balance of \$79,062. This was an increase of \$7,412 from the previous year and was primarily a result of revenues being greater than budgeted amounts.

**Fire Fund** - The Fire Fund ended the year with a restricted fund balance of \$114,458. This was an increase of \$5,551 from the previous year, and was a result of revenues being greater than budgeted amounts, other financial sources being less than budgeted amounts and expenses being less than budgeted amounts.

CARP LAKE TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2014

The following table shows the change in the net position for the years ended March 31, 2014 and 2012.

Change in Net Position for the years ended March 31, 2014 and 2012

	Governmental Activities		Difference
	3/31/14	3/31/12	
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 13,225	\$ 9,320	\$ 3,905
Operating grants and contributions	14,183	14,287	(104)
Capital grants and contributions	-	1,000	(1,000)
General revenues:			
Property taxes and fees	164,209	167,747	(3,538)
State shared revenue	56,125	52,327	3,798
Interest income	1,063	1,864	(801)
Other revenue	1,000	4,131	(3,131)
Total revenues	249,805	250,676	(871)
<b>EXPENSES:</b>			
General government	86,559	75,255	11,304
Legislative	2,288	2,175	113
Public works	36,132	47,328	(11,196)
Public safety	77,145	66,295	10,850
Recreation and culture	39,367	37,474	1,893
Interest on long-term debt	-	636	(636)
Total expenses	241,491	229,163	12,328
Change in net position	8,314	21,513	(13,199)
Beginning net position	928,818	951,604	(22,786)
Ending net position	\$ 937,132	\$ 973,117	\$ (35,985)

The net position increased by \$8,314 for the current year compared to an increase of \$21,513 for 2012. Total revenues remained consistent with 2012, tax revenues decreased due to a drop in taxable values but State shared revenues increased approximately seven percent over 2012. Expenditures increased for 2014, primarily due to an increase in public safety and general government expenses, offset by decreases in public works expenditures.

### BUDGETARY HIGHLIGHTS

Actual general fund expenditures were \$8,481 less than the final budget, revenues were \$15,673 higher than budget, and other financial sources were \$4,595 less than budget, which resulted in a net increase in revenues over expenditures over budget by \$19,559. Road Fund actual revenues were higher than budgeted revenues by \$1,615 and expenditures were under budget by \$2, resulting in a net increase in revenues over expenditures over budget by \$1,617. Fire fund actual revenues were higher than budgeted revenues by \$7,612, expenditures were under budget by \$2,129 and other financial sources were under budget by \$4,192, resulting in a net increase in revenues over expenditures over budget by \$5,549.



CARP LAKE TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
March 31, 2014

**CAPITAL ASSET ACTIVITY**

At the year end March 31, 2014, the Township had \$223,629 invested in a broad range of capital assets, including buildings, office equipment, furniture and fixtures and fire equipment and vehicles. During the year ended March 31, 2014 the Township invested \$9,504 in fire safety equipment.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETES AND RATES**

In the upcoming year, the Township is not expecting any significant projects that will create a need to change the budget from the previous year. The Township will again be closely monitoring its budget as revenues will remain relatively the same as the Township continues to try to cut expenses.

**CONTACTING THE TOWNSHIP'S MANAGEMENT**

This financial report is designed to provide our citizens, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk's office at 10471 N. Hayes Lane, Carp Lake, Michigan 49718.

CARP LAKE TOWNSHIP  
STATEMENT OF NET POSITION  
March 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 687,473
Taxes receivable	17,430
Prepaid insurance	6,215
Due from other governmental units	8,212
Due from other funds	840
Capital assets - net of depreciation	223,629
TOTAL ASSETS	\$ 943,799
LIABILITIES	
Accounts payable	\$ 890
Accrued and other liabilities	5,777
TOTAL LIABILITIES	6,667
NET POSITION	
Invested in capital assets, net of related debt	223,629
Restricted	189,728
Unrestricted	523,775
TOTAL NET POSITION	\$ 937,132

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
STATEMENT OF ACTIVITIES  
for the year ended March 31, 2014

	Program Revenues				Net (Expense) Revenue and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
General government	\$ (86,559)	\$ 225	\$ 499	\$ -	\$ (85,835)
Legislative	(2,288)	-	1,939	-	(349)
Public works	(36,132)	-	6,945	-	(29,187)
Public safety	(77,145)	13,000	4,800	-	(59,345)
Recreation and culture	(39,367)	-	-	-	(39,367)
Total governmental activities	\$ (241,491)	\$ 13,225	\$ 14,183	\$ -	\$ (214,083)
General revenues:					
Property taxes					164,209
State shared revenue					56,125
Interest income					1,063
Other revenue					1,000
Total general revenues					222,397
Change in net position					8,314
Net position, beginning of year					928,818
Net position, end of year					\$ 937,132

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 March 31, 2014

	General Fund	Road Fund	Fire Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 500,881	\$ 75,679	\$ 110,913	\$ 687,473
Taxes receivable	10,664	3,383	3,383	17,430
Prepaid insurance	2,423	-	3,792	6,215
Due from other funds	840	-	-	840
Due from other governmental units	8,212	-	-	8,212
Total assets	\$ 523,020	\$ 79,062	\$ 118,088	\$ 720,170
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ -	\$ 890	\$ 890
Accrued and other liabilities	3,037	-	2,740	5,777
Total liabilities	3,037	-	3,630	6,667
<b>FUND BALANCES:</b>				
Nonspendable	2,423	-	3,792	6,215
Restricted:				
Fire protection	-	-	110,666	110,666
Roads	-	79,062	-	79,062
Unassigned	517,560	-	-	517,560
Total fund balances	519,983	79,062	114,458	713,503
Total liabilities and fund balances	\$ 523,020	\$ 79,062	\$ 118,088	\$ 720,170

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
March 31, 2014

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$	713,503
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 used in the funds.		<u>223,629</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>937,132</u></u>

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES - GOVERNMENTAL FUNDS  
 for the year ended March 31, 2014

	General Fund	Road Fund	Fire Fund	Total Governmental Funds
Revenues:				
Taxes and fees	\$ 93,744	\$ 35,223	\$ 35,242	\$ 164,209
State grants	58,064	6,945	-	65,009
Charges for services	225	-	13,000	13,225
Other contribution	499	-	4,800	5,299
Interest	971	22	70	1,063
Other revenue	-	-	1,000	1,000
Total revenue	<u>153,503</u>	<u>42,190</u>	<u>54,112</u>	<u>249,805</u>
Expenditures:				
Current:				
Legislative	2,288	-	-	2,288
General government	82,903	-	-	82,903
Public works	1,354	34,778	-	36,132
Public safety	8,032	-	39,057	47,089
Recreation and culture	39,367	-	-	39,367
Capital outlay	-	-	9,504	9,504
Total expenditures	<u>133,944</u>	<u>34,778</u>	<u>48,561</u>	<u>217,283</u>
Net change in fund balances	19,559	7,412	5,551	32,522
Fund balance, beginning of year	<u>500,424</u>	<u>71,650</u>	<u>108,907</u>	<u>680,981</u>
Fund balance, end of year	<u>\$ 519,983</u>	<u>\$ 79,062</u>	<u>\$ 114,458</u>	<u>\$ 713,503</u>

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
 STATEMENT OF ACTIVITIES  
 for the year ended March 31, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	32,522
---	----	--------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation.

Expenditures for capital assets		9,504
Current year depreciation		<u>(33,712)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>8,314</u></u>

The accompanying notes are a part of the financial statements.

CARP LAKE TOWNSHIP  
STATEMENTS OF NET POSITION  
FIDUCIARY FUNDS  
March 31, 2014

TAX COLLECTION FUND

ASSET, Cash and cash equivalents	<u>\$ 840</u>
----------------------------------	---------------

LIABILITY, Due to other funds	<u>\$ 840</u>
-------------------------------	---------------

PARADISE LAKE ESTATES CONDOMINIUM ASSOCIATION FUND

ASSET, Cash and cash equivalents	<u>\$ 16,736</u>
----------------------------------	------------------

LIABILITY, Due to Paradise Lake Estates Condominium Association	<u>\$ 16,736</u>
---	------------------

The accompanying notes are a part of the financial statements.



CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Carp Lake Township (the Township) conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the most significant policies followed by Carp Lake Township:

Reporting Entity

The Township, which covers an area of approximately 35 square miles, is located in Emmet County and provides services to approximately 750 residents in many areas including public safety, public works, general administrative service, and community recreation and culture. The Township is a general law Township, and is governed by a 5-member board elected by the citizens of the Township. The board consists of the supervisor, clerk, treasurer and two trustees, all of whom reside in the Township.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," these financial statements present the Local Unit (primary government). The criteria established by GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Township.

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 non-fiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and inter-governmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

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 fiduciary fund financial statements. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

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

The **Fire Fund** is a special revenue fund used to account for revenues and expenses attributable to the Township's fire department. It accounts for the Township millage revenue that is restricted for the operation of the fire department.

The **Road Fund** is a special revenue fund used to account for revenues and expenses attributable to improvement for various roads located within the Township. It accounts for the Township millage revenue that is restricted for road improvements and maintenance.

Additionally, the Township reports the following fiduciary funds:

The **Tax Collection Fund** is used to account for property taxes and special assessments collected for the township and taxes collected as an agent for other governmental units.

The **Paradise Lake Estates Condominium Association Fund** is used to account for funds collected and held for the benefit of the Association.

Fiduciary activities are not included in the government-wide financial statements.

CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$400 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.

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.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-10
Office Equipment	5-10
Vehicles	5-20

Fund Balance Classifications

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, ("GASB 54"). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance to be properly reported within one of the fund balance categories listed below:

*Nonspendable* - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. This classification totals \$6,215 at March 31, 2014.

CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Fund Balance Classifications (Continued)

*Restricted* - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

The statement of net position and governmental funds balance sheet include the following restrictions:

Fire Fund	\$110,666
Road Fund	\$ 79,062

*Committed* - Includes amounts that can only be used for specific purposes determined by a formal action of the highest level of decision making authority (Board of Trustees). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

*Assigned* - Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official body to which the Board delegates the authority.

*Unassigned* - Unassigned fund balance totals of \$517,560 at March 31, 2014 and includes all amounts not included in other classifications. Unassigned amounts are available for any other purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, it is the Township's practice that the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance; however, the Township reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

Use of Estimates

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

Other Financing Sources (Uses)

In the fund financial statements, the transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budget Information

Budgets are adopted by the Township officials for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, a proposed budget is submitted to the Township Board for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year.
6. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
7. The budget was amended during the year with supplemental appropriations and was approved prior to March 31, 2014.

The Township Board's budgetary procedures are in compliance with P.A. 621 of 1978 (The Uniform Budgeting Act) for the year ended March 31, 2014.

Excess of Expenditures over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires that adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended March 31, 2014, the Township incurred expenditures in excess of amounts appropriated, as follows:

<u>Fund and Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund, Recreation and culture	\$ 15,215	\$ 39,367	\$ 24,152

CARP LAKE TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2014

**NOTE C - DEPOSITS AND INVESTMENTS:**

The Township's cash deposits were reported in the basic financial statements in the following categories at March 31, 2014:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 687,473	\$ 17,576	\$ 705,049

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At March 31, 2014, the bank balances were \$726,431 of which \$575,836 was insured and \$150,595 was uninsured and uncollateralized.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits are in accordance with statutory authority.

**NOTE D - PROPERTY TAXES:**

The Township's property taxes are levied in December on the taxable valuation of property located in the Township as of December 31 of the preceding tax year. The tax is due on February 14 of the year after it is levied with a final collection date of February 28, at which time it is sold to and collected by Emmet County if not collected by the Township. Property tax revenue is recognized in the fiscal year in which the taxes are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, to levy taxes up to \$1 per \$1,000 of state taxable valuation for general government operations and an additional general operations levy of \$1 per \$1,000. In addition, the residents of the Township have approved an additional \$1 per \$1,000 specifically for fire protection and \$1 per \$1,000 for roads.

<u>Purpose</u>	<u>Rate/Assessed Valuation</u>
Operations:	
General governmental operations	2.0000 per \$1,000
Fire protection	1.0000 per \$1,000
Roads	1.0000 per \$1,000

The 2013 state taxable valuation for the township was \$35,288,574, raising approximately \$35,300 per 1.0 mill.

The Township also bills and collects taxes for other governmental units. The collection and remittance of such taxes is accounted for in the Tax Collection Fund.

CARP LAKE TOWNSHIP  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2014

**NOTE E - CAPITAL ASSETS:**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated,				
Land	\$ 47,521	\$ -	\$ -	\$ 47,521
Capital assets being depreciated:				
Buildings and improvements	110,802	-	-	110,802
Office and other equipment	15,254	-	-	15,254
Fire equipment	131,007	9,504	-	140,511
Fire vehicles	344,666	-	-	344,666
Subtotal	601,729	9,504	-	611,233
Less accumulated depreciation	401,413	33,712	-	435,125
Net capital assets being depreciated	200,316	(24,208)	-	176,108
Governmental activities net capital assets	\$ 247,837	\$ (24,208)	\$ -	\$ 223,629

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

Governmental activities:	
General Government	\$ 3,656
Public Safety	30,056
Total depreciation expense - governmental activities	\$ 33,712

**NOTE F - INTERFUND RECEIVABLES AND PAYABLES:**

The amounts of interfund receivables and payables between funds of the Township are as follows:

	Interfund Receivable
General Fund	\$ 840
	Interfund Payable
Tax Collection Fund	\$ 840

The purpose of the interfund balances is to record amounts due to and due from funds for collections of tax and payments in-lieu-of tax distributions. All amounts are expected to be repaid within one year.

CARP LAKE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

**NOTE G - PENSION PLAN:**

The Township entered into a money purchase pension plan and trust that was effective July 1, 1991. Municipal Retirement Systems, Inc., is the pension plan provider, and the plan is administered by the Township Board, under section 401(a) of the Internal Revenue Code and is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is available to all Township salaried employees who are 18 years or age or older. All participants are 100% vested upon entry into the plan. Upon employment termination, the vested portion of the accrued benefits is available as a cash payment, or may remain in the plan until retirement.

In February 2009, the Board elected to discontinue contributions to the pension plan. No contributions were made to the plan for the fiscal year 2014 and all but two participants had withdrawn their funds before the end of the current fiscal year.

**NOTE H - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime, and inland marine.



CARP LAKE TOWNSHIP  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 for the year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes and fees	\$ 84,000	\$ 84,980	\$ 93,744	\$ 8,764
State grants	50,000	48,845	58,064	9,219
Charges for services	400	2,130	225	(1,905)
Other contributions	-	1,875	499	(1,376)
Interest	-	-	971	971
Total revenues	134,400	137,830	153,503	15,673
Expenditures:				
Current:				
Legislative	2,650	2,300	2,288	12
General government	121,930	115,480	82,903	32,577
Public works	6,000	1,375	1,354	21
Public safety	10,500	8,055	8,032	23
Recreation and culture	18,090	15,215	39,367	(24,152)
Total expenditures	159,170	142,425	133,944	8,481
Excess of revenues over (under) expenditures	(24,770)	(4,595)	19,559	24,154
Other financing sources (uses):				
Interfund transfers - In	25,000	4,595	-	(4,595)
Interfund transfers - Out	-	-	-	-
Total other financing sources (uses)	25,000	4,595	-	(4,595)
Net change in fund balance	230	-	19,559	\$ 19,559
Fund balance, beginning of year	500,424	500,424	500,424	
Fund balance, end of year	\$ 500,654	\$ 500,424	\$ 519,983	

CARP LAKE TOWNSHIP  
 BUDGETARY COMPARISON SCHEDULE  
 ROAD FUND  
 for the year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes and fees	\$ 34,000	\$ 33,630	\$ 35,223	\$ 1,593
State grants	2,000	6,945	6,945	-
Interest	-	-	22	22
Total revenues	<u>36,000</u>	<u>40,575</u>	<u>42,190</u>	<u>1,615</u>
Expenditures,				
Public works, Roads	<u>59,900</u>	<u>34,780</u>	<u>34,778</u>	<u>2</u>
Excess of revenues over (under) expenditures	(23,900)	5,795	7,412	1,617
Other financing sources (uses):				
Interfund transfers - In	24,000	-	-	-
Interfund transfers - Out	-	-	-	-
Total other financing sources (uses)	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	100	5,795	7,412	<u>\$ 1,617</u>
Fund balance, beginning of year	<u>71,650</u>	<u>71,650</u>	<u>71,650</u>	
Fund balance, end of year	<u>\$ 71,750</u>	<u>\$ 77,445</u>	<u>\$ 79,062</u>	

CARP LAKE TOWNSHIP  
 BUDGETARY COMPARISON SCHEDULE  
 FIRE FUND  
 for the year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes and fees	\$ 34,050	\$ 33,700	\$ 35,242	\$ 1,542
Charges for services	7,000	7,000	13,000	6,000
Other contributions	4,500	4,800	4,800	-
Interest	-	-	70	70
Other revenue	-	1,000	1,000	-
Total revenues	45,550	46,500	54,112	7,612
Expenditures:				
Public safety:				
Operating expenses	39,200	38,510	39,057	(547)
Capital outlay	8,500	12,180	9,504	2,676
Total expenditures	47,700	50,690	48,561	2,129
Excess of revenues over (under) expenditures	(2,150)	(4,190)	5,551	9,741
Other financing sources (uses):				
Interfund transfers - In	17,500	4,192	-	(4,192)
Interfund transfers - Out	-	-	-	-
Total other financing sources (uses)	17,500	4,192	-	(4,192)
Net change in fund balance	15,350	2	5,551	\$ 5,549
Fund balance, beginning of year	108,907	108,907	108,907	
Fund balance, end of year	\$ 124,257	\$ 108,909	\$ 114,458	



# RASMUSSEN, TELLER, O'NEIL & CHRISTMAN

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

January 7, 2015

To the Township Board of  
Carp Lake Township:

We have audited the financial statements of Carp Lake Township (the "Township") for the year ended March 31, 2014 and we have issued our report thereon dated January 7, 2015. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under AU-C 265 (page 2-5)  
Section II - Communications Required Under AU-C 260 (pages 6-7)

Section I includes any deficiencies we observed in the Township's accounting principles or internal controls that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the Township's accounting policies and internal controls.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to those charged with the Township's governance.

These communications are intended solely for the use of the Township Board of Carp Lake Township and are not intended to be and should not be used by anyone other than those specified parties.

We would like to take this opportunity to thank the Township for the cooperation and courtesy extended to us during our audit. We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Rasmussen, Teller, O'Neil & Christman, P.C.*

## Section I - Communications Required Under AU-C 265

In planning and performing our audit of the financial statements of Carp Lake Township (the Township) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

### Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)

*Comment:* As many small and medium-sized governmental entities do, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements 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 auditors, who cannot by definition be considered to be a part of the Township's internal controls.

*Effect:* The Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

*Recommendation:* We recommend that the board designate a responsible Township official to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

*Response:* The Township treasurer and Township clerk will carefully review the audit report, and will together take the necessary steps to remedy the listed deficiencies.

## MATERIAL WEAKNESSES (CONTINUED)

### Generally Accepted Accounting Principles - Clerk - Accruals

*Comment:* Accruals (delinquent taxes receivable, due from state and accounts payable) were not recorded for the governmental funds, prior to the audit adjustments.

*Effect:* The corresponding revenue and expenditure accounts are not reflective of activity for the period as revenue and expense accounts were understated.

*Recommendation:* We recommend that the Township record accruals at the end of each fiscal year. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts within the general ledger.

*Response:* The Township clerk will record accruals at the end of each fiscal year.

### Lack of Monitoring/Segregation of Duties

*Comment:* As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. We noted the following internal control material weaknesses which should be addressed or corrected by the Township Board:

1. The treasurer is primarily responsible for preparing receipts, preparing deposits, making deposits and investigates any discrepancies related to cash.
2. The clerk is responsible for entering the payroll, editing the payroll master file, and resolving employee payroll inquiries.
3. The clerk opens mail related to invoices, posts invoices to the system, edits the vendor master file, investigates discrepancies or issues involving expenditures, prepares the checks, and mails the checks.

*Effect:* The Township is exposed to an increased risk that misstatements or misappropriations may occur and not be detected on a timely basis.

*Recommendation:* Although it is difficult to balance the costs and benefits of internal controls and the segregation of duties, we nonetheless encourage the Township 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 Township personnel as possible.

*Response:* The Township has analyzed the cost of hiring additional staff and has determined it not cost effective to hire additional staff. The Township will take necessary steps to improve the segregation of duties.

## MATERIAL WEAKNESSES (CONTINUED)

### Reconciliation of the Bank Statements

*Comment:* While the bank statements were reconciled by the treasurer and compared to the treasurer's account records, the reconciled bank balances as of March 31, 2014 did not agree with the book balance or general ledger maintained by the clerk, prior to audit adjustments.

*Effect:* The cash balances in the general ledger were misstated as of March 31, 2014.

*Recommendation:* We recommend that the Township establish monthly procedures to ensure that all transactions are posted properly and the book balance is reconciled with the respective bank accounts.

*Response:* The clerk and treasurer will reconcile all bank balances on a monthly basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Township's internal control to be significant deficiencies:

### Payroll Taxes

*Comment:* Payroll tax forms and payroll tax deposits were not made timely.

*Effect:* The Township could be liable for penalties and interest for late payments and penalties for not timely filing.

*Recommendation:* We recommend that the Form 941's be filed timely and payroll tax deposits be paid timely.

*Response:* The Township clerk will timely file payroll returns and deposits.

### Reporting Funds in the General Ledger

*Comment:* The treasurer maintains an accounting for the Tax Collection fund, but the clerk does not include this fund in the general ledger.

*Effect:* The cash was not properly reported in the general ledger and the clerk was not maintaining a balance for Tax Collection fund to compare to the treasurer's reconciliation.

*Response:* The Township will set up the Tax Collection fund in the general ledger and record transactions for this fund.

SIGNIFICANT DEFICIENCIES (CONTINUED)

Social Security Number Privacy Policy

*Comment:* The Township has not adopted a Social Security Number Privacy Policy.

*Effect:* The effect of this finding is that the Township could put employees' Social Security numbers at risk.

*Response:* The Township Board is in the process of developing and adopting this policy.

Conflict of Interest Policy

*Comment:* The Township has not adopted a Conflict of Interest Policy.

*Effect:* The effect of this finding is that the Township could conduct business transactions that include a conflict of interest and put Township funds at risk.

*Response:* The Township Board is in the process of developing and adopting this policy.



## Section II - Communications Required Under SAS 114

### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We have audited the financial statements of the Carp Lake Township (the Township) for the year ended March 31, 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 engagement letter to you dated July 1, 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 Carp Lake Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 financial statements was:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures that are included in the financial statements.

#### *Difficulties Encountered in Performing the Audit*

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

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached report shows all of the adjusting journal entries, some which are material adjustments, which were posted to the records of the Township as a result of our engagement.

### ***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 January 7, 2015.

### ***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 Information in Documents Containing Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Client: **03011 - Carp Lake Township**  
 Engagement: **Audit - Carp Lake Township**  
 Period Ending: **3/31/2014**  
 Trial Balance: **D.01 - TB**  
 Workpaper: **D.02 - AJE**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		PY TB		
To adjust beginning fund balance to F-65				
101-000-390.000	Fund Balance		46,292.53	
206-000-390.000	Fund Balance		79.80	
811-000-018.000	Taxes Rec. & Rel. Est. Uncoll. Tx		74.33	
900-000-399.000	Investment in Capital Assets		176.81	
101-000-018.000	Taxes Rec. & Rel. Est. Uncoll. Tx-DO NOT USE			46,292.53
206-000-238.001	Medicare Due to Fed Govt			17.40
206-000-238.002	SS Due to Fed Govt			62.40
811-000-027.000	Taxes Receivable			74.33
900-000-390.000	Fund Balance			176.81
<b>Total</b>			<b>46,623.47</b>	<b>46,623.47</b>
<b>Adjusting Journal Entries JE # 2</b>		GL		
To reclass revenue sharing payments out of assets				
101-000-005.000	State Share Revenue		46,920.00	
101-000-574.000	State share revenue-DO NOT USE			46,920.00
<b>Total</b>			<b>46,920.00</b>	<b>46,920.00</b>
<b>Adjusting Journal Entries JE # 3</b>		1115.1		
To record unrecorded transaction per bank statements				
101-000-001.000	Cash-Checking		17,523.73	
206-000-001.000	Cash-Checking		2,186.50	
206-336-864.000	Conferences & Workshops		150.00	
352-000-001.000	Cash-Checking		44,837.92	
811-000-001.000	Cash-Checking		2,336.50	
101-000-402.000	Current Real Property Taxes			4,673.19
101-000-445.000	Penalties & Interest on Taxes			14.49
101-000-447.000	Property Tax Administration Fee -Winter			234.03
101-000-447.001	Property Tax Administration Fee -Summer			63.48
101-000-447.001	Property Tax Administration Fee -Summer			2,800.00
101-000-574.000	State share revenue-DO NOT USE			9,504.00
101-000-600.000	Charges For Services			100.00
101-000-997.000	Interest on Checking			134.54
206-000-402.000	Current Real Property Taxes			2,336.50
352-906.990.000	Debt Service			44,550.00
352-906.997.000	Interest Income			287.92
811-000-402.000	Current Real Property Taxes			2,336.50
<b>Total</b>			<b>67,034.65</b>	<b>67,034.65</b>
<b>Adjusting Journal Entries JE # 4</b>		G/L		
To close out the PLIB activity all borrowed funds were repaid by year end				
101-000-001.000	Cash-Checking		69,837.92	
352-000-580.000	Contributions from Local Units		69,550.00	
352-906.997.000	Interest Income		287.92	
101-000-992.000	Debt Services - Interest			287.92
101-906-214.000	Due to Other Funds			69,550.00
352-000-001.000	Cash-Checking			69,837.92
<b>Total</b>			<b>139,675.84</b>	<b>139,675.84</b>
<b>Adjusting Journal Entries JE # 5</b>		2145		
To reclass the \$25,000 PLIB assessment				

Client: **03011 - Carp Lake Township**  
 Engagement: **Audit - Carp Lake Township**  
 Period Ending: **3/31/2014**  
 Trial Balance: **D.01 - TB**  
 Workpaper: **D.02 - AJE**

Account	Description	W/P Ref	Debit	Credit
101-441-801.000	Lake Improvements		25,000.00	
101-101-802.001	Other Services & Charges-Misc fees for services			25,000.00
<b>Total</b>			<b>25,000.00</b>	<b>25,000.00</b>

**Adjusting Journal Entries JE # 6** 1110  
To record interest income on savings/MM

101-000-002.000	Cash-Savings		395.44	
206-000-002.000	Cash-Savings		68.59	
701-000-002.000	Cash-Savings		8.40	
811-000-002.000	Cash-Savings		20.64	
101-000-996.000	Interest on Saving			395.44
206-000-996.000	interest on savings			68.59
701-000-237.000	Due to Paradise Estates			8.40
811-000-996.000	Interest on Savings			20.64
<b>Total</b>			<b>493.07</b>	<b>493.07</b>

**Adjusting Journal Entries JE # 7** 1110  
To adjust tax fund year end balance

701-000-001.000	NW Bank - Tax Fund		155.09	
701-000-214.000	Due to Other Funds			155.09
<b>Total</b>			<b>155.09</b>	<b>155.09</b>

**Adjusting Journal Entries JE # 8** 1310  
To adjust property taxes receivable at 3/31/14

101-000-027.000	Taxes Receivable		2,700.00	
101-000-402.000	Current Real Property Taxes		1,355.42	
101-000-447.000	Property Tax Administration Fee -Winter		133.28	
101-000-447.001	Property Tax Administration Fee -Summer		236.17	
206-000-402.000	Current Real Property Taxes		746.98	
811-000-402.000	Current Real Property Taxes		746.98	
101-000-027.000	Taxes Receivable			1,724.87
101-000-447.001	Property Tax Administration Fee -Summer			2,700.00
206-000-027.000	Delinquent Taxes Receivable			746.98
811-000-027.000	Taxes Receivable			746.98
<b>Total</b>			<b>5,918.83</b>	<b>5,918.83</b>

**Adjusting Journal Entries JE # 9** 2140  
To adjust prepaids

101-000-090.000	Prepaid Expenses		171.63	
206-000-090.000	Prepaid Expenses		116.67	
101-101-914.000	Insurances			171.63
206-336-914.000	Insurance			116.67
<b>Total</b>			<b>288.30</b>	<b>288.30</b>

**Adjusting Journal Entries JE # 10** G/L  
To reclass 941 refunds against 941 overpayments

101-000-674.000	Other Revenues		1,385.10	
101-101-802.001	Other Services & Charges-Misc fees for			1,385.10
<b>Total</b>			<b>1,385.10</b>	<b>1,385.10</b>

**Adjusting Journal Entries JE # 11** 2210

Client: **03011 - Carp Lake Township**  
 Engagement: **Audit - Carp Lake Township**  
 Period Ending: **3/31/2014**  
 Trial Balance: **D.01 - TB**  
 Workpaper: **D.02 - AJE**

Account	Description	W/P Ref	Debit	Credit
To adjust PR taxes and liabilities at year end				
101-000-229.001	Medicare withholding Employee		1,664.83	
101-000-229.002	Social Sec withholding employee		6,181.75	
101-101-802.001	Other Services & Charges-Misc fees for		936.66	
206-000-001.000	Cash-Checking		2,202.07	
101-000-001.000	Cash-Checking			2,202.07
101-101-238.001	Medicare withholding due to Fed Government			1,247.41
101-101-238.002	Social Sec withholding due to Fed Government			5,333.76
206-101-238.001	Medicare Due to Federal Government			417.39
206-101-238.002	SS Due to Federal Government			1,784.68
<b>Total</b>			<b>10,985.31</b>	<b>10,985.31</b>
<b>Adjusting Journal Entries JE # 12</b>				
		2215		
To adjust 3/31/14 PR accrual				
206-000-257.000	Accrued Wages Payable		296.50	
206-336-703.002	Firefighters salary			296.50
<b>Total</b>			<b>296.50</b>	<b>296.50</b>
<b>Adjusting Journal Entries JE # 13</b>				
		PY AJE		
To reverse 3/31/14 AP, and move expenses				
101-000-202.000	Accounts Payable		745.00	
101-101-802.001	Other Services & Charges-Misc fees for		506.00	
206-000-202.000	Accounts Payable		509.94	
206-336-704.000	supplies		54.50	
101-000-202.000	Accounts Payable			506.00
101-751-976.002	Township Parks Maintenance, Improvements,			745.00
206-000-202.000	Accounts Payable			54.50
206-336-752.000	Fire Truck Maintenance			509.94
<b>Total</b>			<b>1,815.44</b>	<b>1,815.44</b>
<b>Adjusting Journal Entries JE # 14</b>				
		1610		
To record GASB 34 activity				
900-000-136.000	Capital Assests - GASB 34		9,504.00	
900-000-968.001	Depreciation Exp - General Fund		3,655.40	
900-000-968.002	Depreciation Exp - Fire Fund		30,055.32	
900-000-137.000	Accumulated Depreciation - GASB 34			33,710.72
900-000-970.002	Capital Additions - Fire Fund			9,504.00
<b>Total</b>			<b>43,214.72</b>	<b>43,214.72</b>
<b>Adjusting Journal Entries JE # 15</b>				
		1615		
To reclass expenses not considered capital outlay				
206-336-704.000	supplies		2,672.78	
206-336-970.000	New Equipment			2,672.78
<b>Total</b>			<b>2,672.78</b>	<b>2,672.78</b>
<b>Adjusting Journal Entries JE # 16</b>				
		1320		
To adjust Revenue Sharing receivable				
101-000-574.000	State share revenue-DO NOT USE		299.00	
101-000-078.000	Due From State			299.00
<b>Total</b>			<b>299.00</b>	<b>299.00</b>
<b>Adjusting Journal Entries JE # 17</b>				
		1335		

Client: **03011 - Carp Lake Township**  
 Engagement: **Audit - Carp Lake Township**  
 Period Ending: **3/31/2014**  
 Trial Balance: **D.01 - TB**  
 Workpaper: **D.02 - AJE**

Account	Description	W/P Ref	Debit	Credit
To adjust due from tax fund for interest/misc				
101-000-084.000	Due From Other Funds		155.49	
101-000-997.000	Interest on Checking			155.49
<b>Total</b>			<b>155.49</b>	<b>155.49</b>

<b>Adjusting Journal Entries JE # 18</b>		2110		
To record 3/31/14 Accounts Payable				
101-101-238.002	Social Sec withholding due to Fed Government		1,370.00	
206-336-704.000	supplies		889.78	
101-000-229.002	Social Sec withholding employee			1,370.00
206-000-202.000	Accounts Payable			889.78
<b>Total</b>			<b>2,259.78</b>	<b>2,259.78</b>

<b>Adjusting Journal Entries JE # 19</b>		2145		
To net reimbursements from LTBB against expenses				
101-000-600.000	Charges For Services		1,905.00	
101-101-802.001	Other Services & Charges-Misc fees for services			1,905.00
<b>Total</b>			<b>1,905.00</b>	<b>1,905.00</b>