

FINANCIAL REPORT  
CHANDLER TOWNSHIP  
CHARLEVOIX COUNTY  
June 30, 2014

**CHANDLER TOWNSHIP  
FINANCIAL REPORT  
June 30, 2014**

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December 8, 2014

Independent Auditors' Report

Township Board  
Chandler Township, Michigan  
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of Chandler Township, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 financial statement presentation.

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, and each major fund, of Chandler Township, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Fire Fund 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

# CHANDLER TOWNSHIP

07620 Chandler Hill Road

BOYNE FALLS, MI 49713

## Management's Discussion and Analysis

As management of the Chandler Township, Charlevoix County, Michigan, 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.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$301,011 (net position). Of this amount, \$120,593 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The remaining net position is invested in capital assets and \$114,781 is restricted for fire operations.
- The Township's total net position increased by \$19,348.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$116,802 or 207 percent of total General Fund expenditures.
- The Township had no outstanding long-term liabilities at year end.

### Overview of the Financial Statements

The Chandler Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required budgetary comparison schedules in addition to the basic financial statements.

### Government-wide Financial Statements

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

The Statement of Net Position displays all of the Township's assets and liabilities, with the difference reported as *net position*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the primary functions of the Township, which are supported by the Township's general revenues (property taxes, state revenues, etc.).

### Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the governmental fund financial statements is on the sources and uses of funds during the current year. The Township has two funds, the General Fund and Fire Fund, which have both been considered as major funds.

## Notes to the Financial Statements

The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

The table below summarizes the Township's net position as of June 30, 2014:

	Chandler Township Statement of Net Position June 30, 2014	
	Governmental Activities	
	2014	2012
<b>Assets</b>		
Current and other assets	\$ 235,556	\$ 202,572
Capital assets - net of accum. dep.	65,637	56,744
Total assets	<u>\$ 301,193</u>	<u>\$ 259,316</u>
<b>Liabilities</b>		
Current liabilities	<u>\$ 182</u>	<u>\$ -</u>
<b>Net Position</b>		
Investment in capital assets net of related debt	65,637	56,744
Restricted	114,781	99,256
Unrestricted	<u>120,593</u>	<u>103,316</u>
Total net position	<u>301,011</u>	<u>259,316</u>
Total liabilities and net position	<u>\$ 301,193</u>	<u>\$ 259,316</u>

At the end of the fiscal year, the Township is able to report positive balances in all categories of net position. The first portion of the Township's net position is its investment in capital assets (land, buildings, land improvements, furniture, fixtures and equipment; less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The restricted portion of net position is for tax levy monies restricted for fire protection.

The remaining portion of net position – unrestricted net position – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**Chandler Township  
Statement of Activities  
Year Ended June 30, 2014**

	Governmental Activities	
	2014	2012
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 4	\$ 13
Operating grants and contributions	1,550	2,654
General revenue:		
Property taxes	63,221	59,792
State revenues	18,491	17,963
Interest	556	807
Gain on disposition of capital assets	-	6,000
Other	201	1,154
Total revenues	84,023	88,383
<b>Function/Program Expenses</b>		
General government	41,578	47,644
Public safety	9,968	11,383
Public works	5,776	4,725
Community and econ. development	3,521	7,096
Unallocated depreciation	3,832	2,740
Total expenses	64,675	73,588
<b>Change in net position</b>	19,348	14,795
<b>Net position - beginning of year</b>	281,663	244,521
<b>Net position - end of year</b>	\$ 301,011	\$ 259,316

As reported above, the Township recorded \$64,675 of expenses. The Township's governmental activities were funded primarily with property tax revenues and state revenues.

**The Township's Funds**

As of year-end, the Township's General Fund reported a fund balance of \$116,802 which is \$6,606 more than the beginning of the year. The General Fund provides general government services including the supervisor, clerk, treasurer and assessor duties, public works, and community and economic development. The General Fund unassigned fund balance is sufficient to fund over two years of "normal" operations.

The Fire Fund reported a fund balance of \$114,781 which is primarily a residual of prior millages for this specific purpose.

## **General Fund Budgetary Highlights**

Final actual revenues were \$7,017 over final budgeted amounts. Property taxes and State Revenue Sharing were budgeted less than final actual amounts.

Final actual expenditures were \$8,268 less than final budgeted amounts. Most actual expenditure line items were less than budgeted.

## **Capital Assets**

At June 30, 2014, the Township had \$65,637, net of depreciation of \$153,440 invested in capital assets.

## **Long Term Debt**

At June 30, 2014, the Township had no long term debt outstanding.

## **Economic Factors**

Being that Chandler Township is 75% state owned property, any deviation from current revenue standards has profound effects on the Township.

The areas of revenue that are the most concern for the future stability of the Township are:

1. State Revenue Sharing: Chandler Township relies heavily upon funds from the State of Michigan. A reduction in state revenue sharing will have profound effects upon the Township.
2. Property Tax Revenue: If property values continue to decline, so will the tax revenue to the Township.
3. Personal Property Tax: If the elimination of Personal Property tax becomes law, as proposed by some state legislators, and it is not replaced by other means of revenue it will have a devastating effect on Chandler Township. The Township has one major industry with a large personal property liability. If the Personal Property tax is eliminated, Chandler Township will lose a large portion of its operating fund.

Chandler Township has no major projects planned for the current fiscal year. We continue to work on a storage garage project that began in 2011, and look toward maintaining and upgrading our firefighting equipment. No major projects or purchase are planned at this time.

The Township expects to remain fiscally sound unless affected by the factors listed above.

## **Requests for Information**

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Clerk, Chandler Township, 07620 Chandler Hill Road, Boyne Falls, Michigan 49713.



**CHANDLER TOWNSHIP**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 211,455
Due from other governments	20,310
Prepaid expenditures	<u>3,791</u>
Total current assets	<u>235,556</u>
<b>Noncurrent Assets</b>	
Nondepreciable-land	19,428
Depreciable	199,649
Less: accumulated depreciation	<u>(153,440)</u>
Total noncurrent assets	<u>65,637</u>
Total assets	<u><u>\$ 301,193</u></u>
<b><u>Liabilities and Net Position</u></b>	
<b>Current Liabilities</b>	
Accrued expenses	<u>\$ 182</u>
<b>Net Position</b>	
Investment in capital assets	65,637
Restricted for :	
Fire operations	114,781
Unrestricted	<u>120,593</u>
Total net position	<u>301,011</u>
Total liabilities and net position	<u><u>\$ 301,193</u></u>

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

**CHANDLER TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

		Program Revenues		Net Revenue (Expense) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities
<b>Functions/Programs</b>				
Governmental Activities:				
General government	\$ 41,578	\$ 4	\$ -	\$ (41,574)
Public safety	9,968	-	-	(9,968)
Public Works	5,776	-	1,550	(4,226)
Community and economic development	3,521	-	-	(3,521)
Depreciation (unallocated)	3,832	-	-	(3,832)
	<u>\$ 64,675</u>	<u>\$ 4</u>	<u>\$ 1,550</u>	<u>(63,121)</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose				42,569
Property taxes, levied for fire operations/equipment				20,652
State shared revenues				18,491
Interest				556
Other				201
Total general revenues				82,469
<b>Change in net position</b>				19,348
<b>Net position - beginning of year</b>				281,663
<b>Net position - end of year</b>				\$ 301,011

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

**CHANDLER TOWNSHIP**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Fire	Total
<b><u>Assets</u></b>			
Cash	\$ 96,674	\$ 114,781	\$ 211,455
Due from other governments	20,310	-	20,310
Total assets	\$ 116,984	\$ 114,781	\$ 231,765
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accrued expenses	\$ 182	\$ -	\$ 182
<b>Fund balances</b>			
Restricted for fire operations	-	114,781	114,781
Unassigned	116,802	-	116,802
Total fund balances	116,802	114,781	231,583
Total liabilities and fund balances	\$ 116,984	\$ 114,781	\$ 231,765

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

**CHANDLER TOWNSHIP**  
**Reconciliation of the Governmental Funds Balance Sheet to**  
**the Statement of Net Position**  
**June 30, 2014**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>231,583</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position, these assets are capitalized and depreciated over their estimated useful lives.

Governmental capital assets		219,077
Accumulated depreciation		(153,440)

Prepaid insurance costs are not available for current-period expenditures and therefore are not reported in the governmental funds.

		<u>3,791</u>
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Total net position - governmental activities	<b>\$</b>	<b><u>301,011</u></b>
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The accompanying notes are an integral part of the financial statements.

**CHANDLER TOWNSHIP**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2014**

	General	Fire	Total
<b>Revenues:</b>			
Taxes	\$ 42,569	\$ 20,652	\$ 63,221
State revenue	20,041	-	20,041
Permits	100	-	100
Charges for service	4	-	4
Interest	280	276	556
Other	101	-	101
	<u>63,095</u>	<u>20,928</u>	<u>84,023</u>
Total revenues			
<b>Expenditures:</b>			
Current:			
General government	41,578	-	41,578
Public safety	-	9,968	9,968
Public works	5,776	-	5,776
Community and economic development	3,521	-	3,521
Capital outlay	5,614	5,434	11,048
	<u>56,489</u>	<u>15,402</u>	<u>71,891</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>6,606</u>	<u>5,526</u>	<u>12,132</u>
<b>Net change in fund balances</b>	6,606	5,526	12,132
<b>Fund balances - beginning of year</b>	<u>110,196</u>	<u>109,255</u>	<u>219,451</u>
<b>Fund balances - end of year</b>	<u>\$ 116,802</u>	<u>\$ 114,781</u>	<u>\$ 231,583</u>

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

**CHANDLER 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 June 30, 2014**

**Net Change in Fund Balances - Total Governmental Funds** \$ 12,132

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	11,048
Current year depreciation	<u>(3,832)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 19,348</u></u>
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The accompanying notes are an integral part of the financial statements.

**CHANDLER TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>Revenues:</b>				
Property taxes	\$ 39,100	\$ 39,100	\$ 42,569	\$ 3,469
State revenue	15,550	15,550	20,041	4,491
Permits	100	100	100	-
Charges for services	8	8	4	(4)
Interest	225	225	280	55
Other	1,095	1,095	101	(994)
<b>Total revenues</b>	<b>56,078</b>	<b>56,078</b>	<b>63,095</b>	<b>7,017</b>
<b>Expenditures:</b>				
General government:				
Legislative	2,500	2,500	2,402	(98)
Supervisor	4,200	4,200	3,307	(893)
Clerk	6,500	6,500	5,920	(580)
Board of review	950	950	750	(200)
Treasurer	7,400	11,400	8,902	(2,498)
Assessor	6,600	6,600	4,494	(2,106)
Elections	350	350	604	254
Building and grounds	7,200	7,200	4,969	(2,231)
Legal	250	250	-	(250)
Cemetery	500	500	-	(500)
Unallocated	10,307	10,307	10,230	(77)
Capital Outlay	3,000	3,000	5,614	2,614
<b>Total general government</b>	<b>49,757</b>	<b>53,757</b>	<b>47,192</b>	<b>(6,565)</b>
Public Works:				
Road maintenance and repair	4,000	4,000	4,276	276
Transfer station	1,500	1,500	1,500	-
<b>Total public works</b>	<b>5,500</b>	<b>5,500</b>	<b>5,776</b>	<b>276</b>
Community and Economic Development:				
Zoning	5,500	5,500	3,521	(1,979)
<b>Total expenditures</b>	<b>60,757</b>	<b>64,757</b>	<b>56,489</b>	<b>(8,268)</b>
Excess (deficiency) of revenues over expenditures	(4,679)	(8,679)	6,606	15,285
<b>Net change in fund balance</b>	<b>(4,679)</b>	<b>(8,679)</b>	<b>6,606</b>	<b>15,285</b>
<b>Fund balance - beginning of year</b>	<b>108,002</b>	<b>108,002</b>	<b>110,196</b>	<b>2,194</b>
<b>Fund balance - end of year</b>	<b>\$ 103,323</b>	<b>\$ 99,323</b>	<b>\$ 116,802</b>	<b>\$ 17,479</b>

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

**CHANDLER TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Fire Fund**  
**Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>Revenues:</b>				
Taxes	\$ 20,500	\$ 20,500	\$ 20,652	\$ 152
Interest	250	250	276	26
Total revenues	20,750	20,750	20,928	178
<b>Expenditures:</b>				
Public Safety	17,750	17,750	15,402	(2,348)
<b>Net change in fund balance</b>	3,000	3,000	5,526	2,526
<b>Fund balance - beginning of year</b>	109,324	109,324	109,255	(69)
<b>Fund balance - end of year</b>	<u>\$ 112,324</u>	<u>\$ 112,324</u>	<u>\$ 114,781</u>	<u>\$ 2,457</u>

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



CHANDLER TOWNSHIP  
Fiduciary Fund  
Statement of Fiduciary Net Position  
June 30, 2014

Agency Fund

**Assets**

Cash

\$ -

**Liabilities**

Due to other funds

\$ -

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

**CHANDLER TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by its charter: public safety (fire), highways and streets, public improvements, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Chandler Township:

**REPORTING ENTITY**

Criteria for determining if other entities are potential component units which should be reported within the Township's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Township is financially accountable and other organizations that the nature and significance of their relationship with the Township are such that exclusion would cause the Township's basic financial statements to be misleading or incomplete. The Township has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as governmental.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which includes charges for services, operating grants and capital grants.

The program revenues must be directly associated with the function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statement is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental activities. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental funds) for the determination of major funds.

#### Governmental Funds

The following is a description of the major governmental funds of the Township:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Fire Fund** – The fire fund is used to account for fire protection services provided by the Township. Primary financing is provided by the Township's property tax levy, which is restricted for fire protection and fire equipment.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED*

#### **BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED**

##### **Fiduciary Fund**

Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Agency funds use the accrual basis of accounting, which reports only assets and liabilities. The following is a description of the fiduciary fund maintained by the Township.

**Agency Fund** - The Agency Fund accounts for the collection and payments of property tax levies.

##### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. 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. Expenditures generally are recorded when a liability is incurred.

The agency fund is accounted for using the full accrual basis of accounting. The Township's agency fund records liabilities when property taxes are received.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND FUND BALANCES

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets, are reported in the Statement of Net Position in the government-wide financial statements.

Capital assets are recorded by the Township when the initial individual costs are equal to or greater than the following amounts:

<u>Asset Type</u>	<u>Amount</u>
Land	\$ 1
Equipment	1,000
Buildings	1,000
Land Improvements	1,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

Buildings	40 years
Land Improvements	20 years
Equipment	5-7 years

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND FUND BALANCES - CONTINUED

##### Fund Balances - Continued

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Township’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Township Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

##### Use of Estimates

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

### NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
2. The budget is legally enacted through passage of an ordinance.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED**

3. Budgets for the General Fund and Fire Fund are adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.

The Township did not have an excess of expenditures over appropriations for the General Fund or the Fire Fund.

**NOTE 3: DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits 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; bankers' 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.

**Cash Deposits**

Custodial Credit Risk- *Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2014, the carrying amount of the Township's deposits, including the fiduciary fund, was \$211,455 and the bank balance was \$211,565. Of the bank balance, all was covered by federal depository insurance. The Township may experience significant fluctuations in deposit balances through the year.

**NOTE 4: PROPERTY TAXES**

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the Township. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of the other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year for which they 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 assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The 2013 State taxable valuation of Chandler Township totaled \$ 20,390,496.

The tax rates for the year ended June 30, 2014 are as follows:

<u>Purpose</u>	<u>Rate/Assessed Valuation</u>
General government service	\$1.0000 per \$1,000
Fire protection and equipment	\$1.0000 per \$1,000

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity of the Township's primary government for the current year was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 19,428	\$ -	\$ -	\$ 19,428
Subtotal	<u>19,428</u>	<u>-</u>	<u>-</u>	<u>19,428</u>
Capital assets being depreciated:				
Buildings	75,000	15,976	-	90,976
Land improvements	15,891	4,337	-	20,228
Equipment	81,734	6,711	-	88,445
Subtotal	<u>172,625</u>	<u>27,024</u>	<u>-</u>	<u>199,649</u>
Less accumulated depreciation:				
Buildings	(61,500)	(1,524)	-	(63,024)
Land improvements	(8,006)	(633)	-	(8,639)
Equipment	(80,102)	(1,675)	-	(81,777)
Subtotal	<u>(149,608)</u>	<u>(3,832)</u>	<u>-</u>	<u>(153,440)</u>
Net capital assets being depreciated:	<u>23,017</u>	<u>23,192</u>	<u>-</u>	<u>46,209</u>
Governmental activities net capital assets	<u>\$ 42,445</u>	<u>\$ 23,192</u>	<u>\$ -</u>	<u>\$ 65,637</u>

Depreciation expense was unallocated between function in the statement of net position.

**NOTE 6: DEFINED CONTRIBUTION PLAN**

The Township provides pension benefits for all Township board members, and the caretaker through a defined contribution plan sponsored by the Municipal Retirement Systems, Inc. Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate from the date of employment. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of ten years. The plan requires the township to contribute 6% of the employee's base annual salary each year. The employees may also contribute up to 6% of their salary to the plan. Contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 6: DEFINED CONTRIBUTION PLAN - CONTINUED**

The Township contributed \$995 including \$135 to cover pension administrative expenses, to the plan during the fiscal year ending June 30, 2014. This contribution was based on salaries of \$15,835 while the total fiscal 2013 Township payroll was \$23,357. Contributions to the plan are invested in annuities issued by insurance companies.

**NOTE 7: FUND BALANCE CLASSIFICATIONS**

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2014, are as follows:

<u>Classification/ Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted		
Fire Fund	Fire Protection	\$ 114,781
Unassigned		
General Fund		<u>116,802</u>
		<u><u>\$ 231,583</u></u>

**NOTE 8: RISK MANAGEMENT**

The Township carries commercial insurance for various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Settled claims have not exceeded coverage in any of the past three years.

December 8, 2014

COMMUNICATION OF MATERIAL WEAKNESS IN INTERNAL CONTROL

Township Board  
Chandler Township  
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Chandler 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 the Chandler Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chandler Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Chandler Township's internal control.

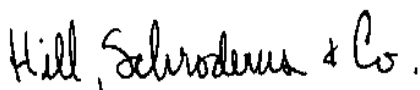
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be or material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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 deficiency in Chandler Township's internal control to be a material weakness:

The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to issued auditing standards this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a deficiency and a strong indicator of a material weakness in internal control.

We did note the Township's management does possess the skill necessary to prepare and monitor the annual budget. Additionally, the accounting system, which is designed primarily for budgetary purposes, is used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustments, format differences and note disclosures.

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



Hill, Schroderus & Co., LLP

December 8, 2014

Communication With Those Charged With Governance

Township Board  
Chandler Township  
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities and each major fund of Chandler Township, Michigan 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 9, 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 Chandler Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 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 Chandler Township's financial statements was:

Management's estimate of depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were to adjust the records from a cash basis to the modified accrual basis of accounting.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 8, 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 Chandler 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 Chandler Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United 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.

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

Very truly yours,

*Hill, Schroderus & Co.*

Hill, Schroderus & Co., LLP