

CLAM LAKE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2014



Baird, Cotter & Bishop, P.C.
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CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2014

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December 9, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clam Lake Township, Wexford County, Cadillac, Michigan as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through x and budgetary comparison information on page 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Lake Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining nonmajor governmental fund financial statements and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements and component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

As management of Clam Lake Township (“the Township”), we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of Clam Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$1,656,995 (*net position*). Of this amount, \$865,422 represents unrestricted net position, which may be used to meet the government’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$917,816, a decrease of \$133,084 in comparison with the prior year. Approximately 84% of this amount (\$773,447) is available for spending at the government’s discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$826,171.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Position* presents financial information on all of the Township’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The government-wide financial statements include not only Clam Lake Township itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Township is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

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

The Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered to be major funds.

Proprietary Funds The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its sewer operations.

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 financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township has one type of fiduciary fund, an *agency fund*.

Component Unit The Township's financial report includes reporting on separate legal entities for which the Township has some level of financial responsibility. These funds are shown in a separate column. The Township's component unit includes the Downtown Development Authority.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 13-24 of this report.

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

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Clam Lake Township, assets exceeded liabilities by \$1,656,995, at the close of the most recent fiscal year.

Clam Lake Township
Net Position as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current Assets	\$ 949,917	\$ 1,148,300	\$ 39,629	\$ 39,544	\$ 989,546	\$ 1,187,844
Non Current Assets						
Capital Assets	1,004,286	947,668	114,467	114,467	1,118,753	1,062,135
Less: Accumulated Depreciation	(339,845)	(301,962)	(78,980)	(76,690)	(418,825)	(378,652)
Total Non Current Assets	664,441	645,706	35,487	37,777	699,928	683,483
Total Assets	1,614,358	1,794,006	75,116	77,321	1,689,474	1,871,327
<u>Liabilities</u>						
Current Liabilities	32,101	97,400	378	378	32,479	97,778
<u>Net Position</u>						
Net Investment in Capital Assets	664,441	645,706	35,487	37,777	699,928	683,483
Restricted	91,645	86,468	0	0	91,645	86,468
Unrestricted	826,171	964,432	39,251	39,166	865,422	1,003,598
Total Net Position	\$ 1,582,257	\$ 1,696,606	\$ 74,738	\$ 76,943	\$ 1,656,995	\$ 1,773,549

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

A large portion of the Township's net position (42%) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$865,422 is unrestricted may be used to meet the government's ongoing obligations to its citizens and creditors.

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

The Township's overall net position decreased by \$116,554 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections.

Clam Lake Township
Change in Net Position
for the Fiscal Year Ended June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 32,808	\$ 26,379	\$ 0	\$ 0	\$ 32,808	\$ 26,379
Operating Grants and Contributions	15,400	21,400	0	0	15,400	21,400
General Revenues						
Property Taxes	243,831	237,036	0	0	243,831	237,036
State Grants	186,440	180,110	0	0	186,440	180,110
Interest Earnings	1,836	3,293	85	91	1,921	3,384
Other	1,031	6,342	0	0	1,031	6,342
Total Revenues	481,346	474,560	85	91	481,431	474,651

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

Clam Lake Township
Change in Net Position
for the Fiscal Year Ended June 30,

	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
<u>Expenses</u>						
General Government	390,128	251,834	0	0	390,128	251,834
Public Safety	166,264	164,040	0	0	166,264	164,040
Public Works	21,931	32,387	0	0	21,931	32,387
Other Functions	17,372	15,027	0	0	17,372	15,027
Sewer	0	0	2,290	2,290	2,290	2,290
Total Expenses	595,695	463,288	2,290	2,290	597,985	465,578
Change in Net Position	(114,349)	11,272	(2,205)	(2,199)	(116,554)	9,073
<u>NET POSITION</u> - Beginning of Year	1,696,606	1,685,334	76,943	79,142	1,773,549	1,764,476
<u>NET POSITION</u> - End of Year	\$ 1,582,257	\$ 1,696,606	\$ 74,738	\$ 76,943	\$ 1,656,995	\$ 1,773,549

Governmental Activities. The governmental activities accounted for a decrease of \$114,349 in the Township's net position. The most significant part of the revenue for all governmental activities for the Township comes from property taxes. The Township's millages in 2013 were 0.8258 mills for general and 2.000 for fire protection.

The Township's governmental activities expenses are dominated by the General Government and Public Safety expenses. General Government represented the largest expense at \$390,128. The Township spent \$166,264 in fiscal year 2014 on Public Safety.

Business-Type Activities. The Township utilizes a Sewer Fund to account for its sewer operations.

Sewer operations experienced a decrease in net position in the amount of \$2,205, primarily as a result from depreciation expense of \$2,290. Beginning January 1, 2008, the Township entered into a new agreement with the Wexford County Department of Public Works for operation and maintenance of the sewer system.

The Sewer Fund is the Township's only business-type activity.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

Financial Analysis of the Governmental Funds

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

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

At June 30, 2014, the Township's governmental funds reported combined fund balances of \$917,816, a decrease of \$133,084 in comparison with the prior year. Approximately 84% of this amount (\$773,447) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$91,645), 4) committed for particular purposes, or 5) assigned for particular purposes (\$52,724).

General Fund – The General Fund decreased its fund balance by \$138,261 which brings the fund balance to \$826,171. Of the General Fund's fund balance, \$52,724 is assigned for subsequent year budget shortfall and the balance of \$773,447 is unassigned.

Fire Fund – The Fire Fund decreased its fund balance by \$2,289 which brings the fund balance to \$70,775. This balance is restricted and must be used for fire protection.

The Township levied a fire millage on the 2013 tax roll. This resulted in \$163,705 in tax related revenues during the current fiscal year.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net position of \$2,205. Net investment in capital assets decreased by the amount of the depreciation deduction, \$2,290. A negative change in cash flows illustrates that the actual cash outflows were higher than cash inflows for the year ending June 30, 2014.

General Fund Budgetary Highlights

During the year, there was a \$227,750 increase in appropriations between the original budget and final amended budget. Following are the significant reasons for the increase:

- \$157,200 increase in Township Board expenditures.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

- \$5,000 increase in Supervisor expenditures.
- \$300 increase in Election expenditures.
- \$4,450 increase in Assessor expenditures
- \$6,700 increase in Clerk expenditures
- \$13,500 increase in Treasurer expenditures
- \$18,100 increase in Building and Grounds expenditures
- \$4,500 increase in Cemetery expenditures
- \$7,000 increase in Public Works expenditures
- \$11,000 increase in Other Functions expenditures

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 325,150	\$ 325,150	\$ 308,226
Total Expenditures	\$ 382,603	\$ 610,353	\$ 446,487

The primary difference between the final budgeted revenues and the actual revenues was due to the Township budgeting for more taxes than were levied. The variance in the final budgeted expenditures and actual expenditures was primarily due to the fact that the Township budgets conservatively and also budgets for contingencies. Additionally, the Township budgeted for depreciation which is not included in expenditures in the fund statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$699,928 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Clam Lake Township
Net Position as of June 30,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land and Land Improvements	\$ 228,360	\$ 228,360	\$ 0	\$ 0	\$ 228,360	\$ 228,360
Buildings	380,971	373,731	0	0	380,971	373,731
Improvements Other than Buildings	0	0	114,467	114,467	114,467	114,467
Infrastructure	365,829	316,451	0	0	365,829	316,451
Machinery and Equipment	29,126	29,126	0	0	29,126	29,126
	1,004,286	947,668	114,467	114,467	1,118,753	1,062,135
Less Accumulated Depreciation	339,845	301,962	78,980	76,690	418,825	378,652
Net Capital Assets	\$ 664,441	\$ 645,706	\$ 35,487	\$ 37,777	\$ 699,928	\$ 683,483

Major capital asset events during fiscal year 2014 included the following:

- Road improvements at a cost of \$49,378.
- New carpet for the Township Hall at a cost of \$7,240.

As of June 30, 2014, the Township is not obligated for any long-term debt.

Economic Condition and Outlook

It appears that state-shared revenues have stabilized. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

This factor was considered in preparing the Township's budgets for the 2014-15 fiscal year.

Contacting the Township's Finance Department

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Lake Township at 8809 E. M-115, Cadillac, MI 49601.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 880,798	\$ 39,629	\$ 920,427	\$ 493,409
Receivables				
External Party (Fiduciary Fund)	5,380	0	5,380	0
Due from Other Governments	63,739	0	63,739	0
Total Current Assets	949,917	39,629	989,546	493,409
<u>CAPITAL ASSETS</u>				
Land and Land Improvements	228,360	0	228,360	128,718
Buildings	380,971	0	380,971	0
Improvements Other Than Buildings	0	114,467	114,467	0
Infrastructure	365,829	0	365,829	0
Machinery and Equipment	29,126	0	29,126	0
	1,004,286	114,467	1,118,753	128,718
Less Accumulated Depreciation	339,845	78,980	418,825	44,515
Net Capital Assets	664,441	35,487	699,928	84,203
TOTAL ASSETS	1,614,358	75,116	1,689,474	577,612
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	28,683	0	28,683	0
Payroll Withholdings	1,844	0	1,844	0
Due to Other Governments	1,574	378	1,952	0
TOTAL LIABILITIES	32,101	378	32,479	0
<u>NET POSITION</u>				
Net Investment in Capital Assets	664,441	35,487	699,928	84,203
Restricted				
Fire Protection	70,775	0	70,775	0
Lake Improvements	7,583	0	7,583	0
Street Lighting	856	0	856	0
Sewer Capital Improvements	12,431	0	12,431	0
Unrestricted	826,171	39,251	865,422	493,409
TOTAL NET POSITION	\$ 1,582,257	\$ 74,738	\$ 1,656,995	\$ 577,612

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	PRIMARY GOVERNMENT		TOTALS	COMPONENT UNIT
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
PRIMARY GOVERNMENT								
<u>GOVERNMENTAL ACTIVITIES</u>								
General Government	\$ 390,128	\$ 32,808	\$ 0	\$ 0	\$ (357,320)	\$ 0	\$ (357,320)	\$ 0
Public Safety	166,264	0	0	0	(166,264)	0	(166,264)	0
Public Works	21,931	0	8,051	0	(13,880)	0	(13,880)	0
Recreation and Culture	0	0	7,349	0	7,349	0	7,349	0
Other Functions	17,372	0	0	0	(17,372)	0	(17,372)	0
Total Governmental Activities	595,695	32,808	15,400	0	(547,487)	0	(547,487)	0
<u>BUSINESS-TYPE ACTIVITIES</u>								
Sewer System	2,290	0	0	0	0	(2,290)	(2,290)	0
TOTAL PRIMARY GOVERNMENT	\$ 597,985	\$ 32,808	\$ 15,400	\$ 0	(547,487)	(2,290)	(549,777)	0
<u>COMPONENT UNIT</u>								
Downtown Development Authority	\$ 25,732	\$ 0	\$ 0	\$ 0	0	0	0	(25,732)
<u>GENERAL REVENUES</u>								
Property Taxes					243,831	0	243,831	53,302
State Grants					186,440	0	186,440	0
Interest Earnings					1,836	85	1,921	1,252
Other					1,031	0	1,031	111
Total General Revenues					433,138	85	433,223	54,665
Change in Net Position					(114,349)	(2,205)	(116,554)	28,933
<u>NET POSITION</u> - Beginning of Year					1,696,606	76,943	1,773,549	548,679
<u>NET POSITION</u> - End of Year					\$ 1,582,257	\$ 74,738	\$ 1,656,995	\$ 577,612

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2014

	GENERAL FUND	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>				
Cash	\$ 789,389	\$ 70,775	\$ 20,634	\$ 880,798
Due from Other Governments	63,739	0	0	63,739
Due from Other Funds	5,380	0	236	5,616
TOTAL ASSETS	<u>\$ 858,508</u>	<u>\$ 70,775</u>	<u>\$ 20,870</u>	<u>\$ 950,153</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 28,683	\$ 0	\$ 0	\$ 28,683
Payroll Withholdings	1,844	0	0	1,844
Due to Other Funds	236	0	0	236
Due to Other Governments	1,574	0	0	1,574
Total Liabilities	<u>32,337</u>	<u>0</u>	<u>0</u>	<u>32,337</u>
 <u>FUND BALANCE</u>				
Restricted for:				
Fire Protection	0	70,775	0	70,775
Lake Improvements	0	0	7,583	7,583
Street Lighting	0	0	856	856
Sewer Capital Improvements	0	0	12,431	12,431
Assigned for Subsequent Year Budget Shortfall	52,724	0	0	52,724
Unassigned	773,447	0	0	773,447
Total Fund Balance	<u>826,171</u>	<u>70,775</u>	<u>20,870</u>	<u>917,816</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 858,508</u>	<u>\$ 70,775</u>	<u>\$ 20,870</u>	<u>\$ 950,153</u>

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

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

Total Fund Balances for Governmental Funds \$ 917,816

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

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

Land and Land Improvements	\$ 228,360	
Buildings	380,971	
Infrastructure	365,829	
Machinery and Equipment	29,126	
Accumulated Depreciation	(339,845)	664,441

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,582,257

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>				
Taxes	\$ 80,067	\$ 163,705	\$ 0	\$ 243,772
State Grants	192,490	0	0	192,490
Charges for Services	22,333	0	0	22,333
Interest and Rents	12,305	0	6	12,311
Other Revenues	1,031	0	9,409	10,440
 Total Revenues	 308,226	 163,705	 9,415	 481,346
<u>EXPENDITURES</u>				
General Government	376,542	0	0	376,542
Public Safety	270	165,994	0	166,264
Public Works	52,303	0	1,949	54,252
Other Functions	17,372	0	0	17,372
 Total Expenditures	 446,487	 165,994	 1,949	 614,430
 Excess (Deficiency) of Revenues Over Expenditures	 (138,261)	 (2,289)	 7,466	 (133,084)
 Other Financing Sources (Uses)				
Transfers In	0	0	2,354	2,354
Transfers Out	0	0	(2,354)	(2,354)
 Total Other Financing Sources (Uses)	 0	 0	 0	 0
 Net Change in Fund Balances	 (138,261)	 (2,289)	 7,466	 (133,084)
 <u>FUND BALANCE - Beginning of Year</u>	 964,432	 73,064	 13,404	 1,050,900
 <u>FUND BALANCE - End of Year</u>	 \$ 826,171	 \$ 70,775	 \$ 20,870	 \$ 917,816

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$ (133,084)

Amounts reported for governmental activities are different because:

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

Capital Outlay	56,618
Depreciation Expense	<u>(37,883)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (114,349)

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET POSITION
JUNE 30, 2014

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 39,629
<u>CAPITAL ASSETS</u>	
Improvements Other than Buildings	114,467
Less Accumulated Depreciation	78,980
Net Capital Assets	35,487
<u>TOTAL ASSETS</u>	<u>75,116</u>
<u>LIABILITIES</u>	
Due to Other Governments	378
<u>NET POSITION</u>	
Net Investment in Capital Assets	35,487
Unrestricted	39,251
<u>TOTAL NET POSITION</u>	<u>\$ 74,738</u>

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2014

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	\$ 0
<u>OPERATING EXPENSES</u>	
Public Works	
Depreciation	<u>2,290</u>
Operating Income (Loss)	(2,290)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	<u>85</u>
Change in Net Position	(2,205)
<u>NET POSITION</u> - Beginning of Year	<u>76,943</u>
<u>NET POSITION</u> - End of Year	<u><u>\$ 74,738</u></u>

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$ (7,900)
Cash Flows from Investing Activities	
Interest on Investments	85
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,815)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	47,444
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 39,629
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (2,290)
	<hr/>
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities	
Depreciation	2,290
Increase (Decrease) in Current Liabilities	
Due to Other Funds	(7,900)
	<hr/>
Total Adjustments	(5,610)
	<hr/>
NET CASH PROVIDED (USED FOR)	
OPERATING ACTIVITIES	\$ (7,900)
	<hr/> <hr/>

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>TAX COLLECTION FUND - AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 5,380
 <u>LIABILITIES</u>	
Due to Other Funds	 5,380
 <u>NET POSITION</u>	 <u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash	
Commercial Account	\$ 280,568
Certificates of Deposit	212,841
	<hr/>
Total Current Assets	493,409
	<hr/>

CAPITAL ASSETS

Land Improvements	128,718
Less Accumulated Depreciation	(44,515)
	<hr/>
Net Capital Assets	84,203
	<hr/>

TOTAL ASSETS 577,612

LIABILITIES

0

NET POSITION

Net Investment in Capital Assets	84,203
Unrestricted	493,409
	<hr/>

TOTAL NET POSITION \$ 577,612

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	<u>EXPENSES</u>	<u>PROGRAM REVENUES CHARGES FOR SERVICES</u>	<u>GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Economic Development	\$ 25,732	\$ 0	\$ (25,732)
Total Governmental Activities	<u>\$ 25,732</u>	<u>\$ 0</u>	<u>(25,732)</u>
<u>GENERAL REVENUES</u>			
Property Taxes			53,302
Interest Earnings			1,252
Miscellaneous			111
Total General Revenues			<u>54,665</u>
Change in Net Position			28,933
<u>NET POSITION</u> – Beginning of Year			<u>548,679</u>
<u>NET POSITION</u> – End of Year			<u>\$ 577,612</u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

B. Reporting Entity

Clam Lake Township is a general law township located in Wexford County which operates under the direction of an elected township board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The DDA was established through a Township Ordinance under Act No. 197 of the Public Acts of Michigan of 1975. The Township Board determined that it was necessary and in the best interest of the Township to halt property value deterioration and increase property tax valuation where possible in the DDA District, to eliminate the causes of that deterioration, and to promote economic growth. The members of the governing board of DDA are appointed by the Township Board. The Authority's operational and capital budgets and bonded debt must be approved by the Township board.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

As discussed earlier, the government has a discretely presented component unit. While the DDA is considered to be a major component unit, it is nevertheless shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

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

The *Fire Fund* accounts for the Township millage revenue that is restricted for fire protection services.

The Township reports the following major proprietary fund:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Selma Township and Cherry Grove Township.

Additionally, the Township reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The *Debt Service Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity. The Township has one agency fund. The current tax collection fund accounts for the collection and payment of property taxes billed and collected by the Township.

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 12, 2013, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control

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

1. Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(I) The Township Board has authorized the Township Treasurer to invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution including repurchase agreements and treasury portfolio B funds. Authorized depositories shall be designated by the Clam Lake Township Board at the Board's organizational meeting after each election of Township Officers.

The Township has pooled cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash is summarized by fund type in the balance sheet as "cash".

2. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

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

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

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	15-30
Public Domain Infrastructure	50
Machinery and Equipment	5-10

3. *Deferred Outflows/Inflows of Resource*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

be recognized as an outflow of resources (expense/expenditure) until then. The government does not have anything that qualifies for reporting in this category.

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

4. *Net Position Flow Assumption*

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

5. *Fund Balance Flow Assumption*

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

6. *Fund Balance Policies*

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

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

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as unavailable revenues.

The 2013 taxable valuation of the local governmental unit totaled \$83,022,530, on which ad valorem taxes levied consisted of 0.8258 mills for the local governmental operating purposes and 2.0000 mills for fire protection, raising \$68,271 for operating, and \$163,705 for fire protection. These amounts are recognized in the respective General Fund and Fire Fund financial statements as taxes receivable or as tax revenue. Portions of these taxes levied were captured by the Downtown Development Authority.

Any uncollected real property taxes which become delinquent March 1 are purchased by Wexford County and paid to the Township in May or June of each year.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for the enterprise fund include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, \$383,497 of the Township's bank balances of \$949,454 was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the balance of uninsured deposits, all of it is located within the governmental funds. As of June 30, 2014, \$30,568 of the discretely presented component unit's bank balance of \$493,409 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the Township's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Township's deposits.

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

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in aggregate are as follows:

	<u>General</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Receivables			
Due from Other			
Governments	\$ 63,739	\$ 63,739	\$ 0

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

C. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government:	Beginning			Ending
	Balance	Increases	Decreases	Balance
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 48,000	\$ 0	\$ 0	\$ 48,000
Capital assets, being depreciated				
Buildings	373,731	7,240	0	380,971
Land Improvements	180,360	0	0	180,360
Infrastructure	316,451	49,378	0	365,829
Machinery and Equipment	29,126	0	0	29,126
Total capital assets, being depreciated	899,668	56,618	0	956,286
Less accumulated depreciation for:				
Buildings	115,507	10,524	0	126,031
Land Improvements	81,446	9,018	0	90,464
Infrastructure	82,530	17,057	0	99,587
Machinery and Equipment	22,479	1,284	0	23,763
Total accumulated depreciation	301,962	37,883	0	339,845
Total capital assets, being depreciated, net	597,706	18,735	0	616,441
Governmental activities capital assets, net	\$ 645,706	\$ 18,735	\$ 0	\$ 664,441
<u>Business-Type Activities</u>				
Capital assets, being depreciated				
Improvements other than buildings	\$ 114,467	\$ 0	\$ 0	\$ 114,467
Less accumulated depreciation for:				
Improvements other than buildings	76,690	2,290	0	78,980
Business-type activities capital assets, net	\$ 37,777	\$ (2,290)	\$ 0	\$ 35,487

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Discretely Presented Component Unit:	Beginning			Ending
	Balance	Increases	Decreases	Balance
Capital assets, being depreciated				
Land Improvements	\$ 128,718	\$ 0	\$ 0	\$ 128,718
Less accumulated depreciation for:				
Land Improvements	38,079	6,436	0	44,515
Component Unit capital assets, net	<u>\$ 90,639</u>	<u>\$ (6,436)</u>	<u>\$ 0</u>	<u>\$ 84,203</u>

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

Governmental activities:	
General Government	\$ 20,826
Public Works	<u>17,057</u>
Total governmental activities	<u>\$ 37,883</u>
Business-type activities:	
Sewer	<u>\$ 2,290</u>

Depreciation expense was charged to functions/programs of the discretely presented component unit as follows:

Governmental activities:	
Economic Development	<u>\$ 6,436</u>

D. 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 for which Township carries commercial insurance.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

E. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014, is as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 5,380	\$ 236
Sewer Capital Improvement Fund	236	0
Tax Collection Fund	0	5,380
	<u>\$ 5,616</u>	<u>\$ 5,616</u>

All remaining balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at June 30, 2014, are expected to be repaid within one year.

Interfund Transfers as of June 30, 2014, were:

	Transfers	
	In	Out
Sewer Capital Improvement Fund	\$ 2,354	\$ 0
Sewer Project Debt Service Fund	0	2,354
	<u>\$ 2,354</u>	<u>\$ 2,354</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

III. OTHER INFORMATION

A. 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 participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

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

B. Retirement Plan

On July 20, 1969, the Township adopted a defined contribution pension plan which is administered by John Hancock Life Insurance Company. The Township clerk is the plan trustee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is available to all Township employees who are 18 years of age or older. All participants are 100% vested upon entry to the plan. Upon termination, the vested portion of the accrued benefits is available as a cash payment, or may remain in the plan until retirement. Plan provisions and contribution requirements are established and may be amended by the Township Board.

The plan is fully funded by the Township. Annual contributions to the plan equal 15% of the total compensation of all eligible participants. Employees are not required to make contributions and did not make any to the plan during the current fiscal year. The current year's payroll was \$58,658. The plan coverage payroll was \$50,000 and was based on the period of July 20, 2013, to July 19, 2014. The Township's obligation for covered employees, of which there are five, for the year ended June 30, 2014, totaled \$8,062. The Township paid their required annual contribution. In addition, the Township paid \$562 in charges and participant fees. The plan financial statements are based on the fiscal year ended June 30, 2014.

C. Fire Protection Contract

The Township entered into an agreement with the City of Cadillac on January 1, 2013, whereas, the City will provide the township with fire protection services. The agreement calls for the township to pay to the City on an annual basis an amount equal to 2 mills on the taxable value of the real and personal property of the township as determined during each year of the contract. Also, the Township must pay the equivalent of 1 mill on all property covered by an industrial facilities tax exemption or a commercial facilities tax exemption.

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 121,300	\$ 121,300	\$ 80,067	\$ 170,000	\$ 170,000	\$ 163,705
State Grants	178,000	178,000	192,490	0	0	0
Charges for Services	18,050	18,050	22,333	0	0	0
Interest and Rents	7,300	7,300	12,305	0	0	0
Other Revenues	500	500	1,031	0	0	0
Total Revenues	325,150	325,150	308,226	170,000	170,000	163,705
<u>EXPENDITURES</u>						
General Government						
Township Board	92,743	249,943	233,747	0	0	0
Supervisor	15,025	20,025	15,400	0	0	0
Election	5,385	5,685	807	0	0	0
Assessor	33,625	38,075	32,188	0	0	0
Clerk	16,950	23,650	21,224	0	0	0
Board of Review	1,550	1,550	757	0	0	0
Treasurer	22,450	35,950	26,916	0	0	0
Building and Grounds	18,900	37,000	36,114	0	0	0
Cemetery	6,975	11,475	9,389	0	0	0
Public Safety	1,100	1,100	270	170,000	170,000	165,994
Public Works	82,200	89,200	52,303	0	0	0
Other Functions	58,700	69,700	17,372	0	0	0
Contingency	27,000	27,000	0	0	0	0
Total Expenditures	382,603	610,353	446,487	170,000	170,000	165,994
Excess (Deficiency) of Revenues Over Expenditures	(57,453)	(285,203)	(138,261)	0	0	(2,289)
<u>FUND BALANCE</u> - Beginning of Year	964,432	964,432	964,432	73,064	73,064	73,064
<u>FUND BALANCE</u> - End of Year	\$ 906,979	\$ 679,229	\$ 826,171	\$ 73,064	\$ 73,064	\$ 70,775

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMBINING NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS</u>
	<u>STONE LEDGE LAKE FUND</u>	<u>STREET LIGHTING FUND #1</u>	<u>STREET LIGHTING FUND #2</u>	<u>SEWER CAPITAL IMPROVEMENT FUND</u>	<u>SEWER PROJECT</u>	
<u>ASSETS</u>						
Cash	\$ 7,583	\$ 419	\$ 437	\$ 12,195	\$ 0	\$ 20,634
Due from Other Funds	0	0	0	236	0	236
TOTAL ASSETS	\$ 7,583	\$ 419	\$ 437	\$ 12,431	\$ 0	\$ 20,870
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>						
Restricted for:						
Lake Improvements	7,583	0	0	0	0	7,583
Street Lighting	0	419	437	0	0	856
Sewer Capital Improvements	0	0	0	12,431	0	12,431
Total Fund Balance	7,583	419	437	12,431	0	20,870
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,583	\$ 419	\$ 437	\$ 12,431	\$ 0	\$ 20,870

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMBINING NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTALS
	STONE LEDGE LAKE FUND	STREET LIGHTING FUND #1	STREET LIGHTING FUND #2	SEWER CAPITAL IMPROVEMENT FUND	SEWER PROJECT	
<u>REVENUES</u>						
Interest and Rents	\$ 0	\$ 0	\$ 0	\$ 6	\$ 0	\$ 6
Other Revenues	7,349	1,260	800	0	0	9,409
Total Revenues	7,349	1,260	800	6	0	9,415
<u>EXPENDITURES</u>						
Public Works	0	1,195	747	7	0	1,949
Excess (Deficiency) of Revenues Over Expenditures	7,349	65	53	(1)	0	7,466
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	0	0	0	2,354	0	2,354
Transfers Out	0	0	0	0	(2,354)	(2,354)
Total Other Financing Sources (Uses)	0	0	0	2,354	(2,354)	0
Net Change in Fund Balance	7,349	65	53	2,353	(2,354)	7,466
<u>FUND BALANCES - Beginning of Year</u>	234	354	384	10,078	2,354	13,404
<u>FUND BALANCES - End of Year</u>	\$ 7,583	\$ 419	\$ 437	\$ 12,431	\$ 0	\$ 20,870

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEET
JUNE 30, 2014

ASSETS

Cash	
Commercial Account	\$ 280,568
Certificates of Deposit	<u>212,841</u>
 TOTAL ASSETS	 <u><u>\$ 493,409</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Unassigned	<u>493,409</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 493,409</u></u>

CLAM LAKE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

COMPONENT UNIT

DOWNTOWN DEVELOPMENT AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 0	\$ 74,000	\$ 53,302
Interest and Rents	0	1,300	1,252
Miscellaneous	0	100	111
Total Revenues	<u>0</u>	<u>75,400</u>	<u>54,665</u>
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection	0	17,000	0
Economic Development			
Clerical/Facilitator	8,760	8,760	8,760
Planning	60,000	5,000	0
Supplies	2,000	2,000	0
Professional Services	3,000	3,000	1,050
Insurance	1,000	1,000	725
Printing and Publishing	500	500	0
Marketing	2,000	2,000	498
Lighting/Road Maintenance	15,000	15,000	8,159
Other	2,000	2,000	104
Capital Outlay	185,000	5,000	0
Grants	130,000	5,000	0
Contingency	5,000	2,500	0
Total Expenditures	<u>414,260</u>	<u>68,760</u>	<u>19,296</u>
Excess (Deficiency) of Revenues Over Expenditures	(414,260)	6,640	35,369
<u>FUND BALANCE</u> - Beginning of the Year	<u>458,040</u>	<u>458,040</u>	<u>458,040</u>
<u>FUND BALANCE</u> - End of the Year	<u>\$ 43,780</u>	<u>\$ 464,680</u>	<u>\$ 493,409</u>



Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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December 9, 2014

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

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clam Lake Township for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 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 Clam Lake Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, the business-type activities, the aggregate discretely present component unit, each major fund, and the aggregate remaining fund information of Clam Lake Township's financial statements were:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in

determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements. No material misstatements were noted. We proposed several adjusting journal entries that were accepted and recorded by management.

Disagreements with Management

For purposes of this letter, 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 December 9, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Clam Lake 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Bank Reconciliations

Bank reconciliations for the tax fund were not being performed. We recommend bank reconciliations are completed on a monthly basis.

Other Matters

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

We were engaged to report on the combining nonmajor governmental funds financial statements and component unit financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United 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 individual fund financial statements themselves.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



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December 9, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Clam Lake Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Clam Lake 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 Clam Lake Township's internal control over financial reporting (internal control) as a basis for designing auditing 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 Clam Lake Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Clam Lake Township's internal control.

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

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

1) Segregation of Incompatible Duties and Documented Independent Review

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

Condition: The government has several accounting functions that are performed by the same individual.

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

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

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

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

2) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

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

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

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

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

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

3) *Lack of Adequate Controls to Timely Record, Process and Reconcile Accounting Data*

Criteria: Management is responsible for ensuring that a reliable system exists for recording, processing, and reconciling accounting data on a timely basis.

Condition: The Township utilizes a computerized accounting software program as well as a variety of manual systems and controls to assist with this requirement. However, the Township does not utilize the computerized system to completely process and account for the accounting data on a timely basis.

Specific processes not completed on a timely basis include but are not necessarily limited to the following:

1. The bank accounts are not currently reconciled on a monthly basis, which resulted in the reporting of incorrect cash balances.
2. General ledger trial balances are not reviewed on a periodic basis for accuracy and proper classification. We recommend the Township review the summary trial balance on a monthly basis and investigate and correct those balances which are inaccurate.

Cause: This condition was caused by oversights by Township's management.

Effect: As a result of this condition, significant additional time and resources are necessary throughout the year and at year end in an effort to mitigate the effect of unreliable and timely reporting of data.

Recommendation: We recommend that the Township implement procedures to ensure that accounting data is recorded, processed and reconciled on a timely basis.

View of Responsible Officials: The Township is aware of this limitation and is in the process of implementing solutions. During the 2013/2014 fiscal year, the Township purchased and implemented software which should mitigate future issues.

We noted certain matters that we reported to management of the Clam Lake Township in a separate letter December 9, 2014.

Clam Lake Township's responses to the findings identified in our audit are described above. We did not audit Clam Lake Township's responses and, accordingly, we express no opinion on them.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.