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TOWNSHIP OF CURTIS
ALCONA COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED MARCH 31, 2014

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AUDITORS' REPORT

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August 25, 2014

Independent Auditors' Report

Members of the Township Board
Township of Curtis
Alcona County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis, Alcona County, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis, Alcona County, Michigan, as of March 31, 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.

Members of the Township Board
Township of Curtis
August 25, 2014
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Emphasis of Matter

As discussed in Note 2 to the financial statements, the Township of Curtis has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items previously reported as Assets and Liabilities*, as of March 31, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Stephenson, Grubb & Co., P.C.

TOWNSHIP OF CURTIS
P.O. BOX 90
GLENNIE, MI 48737

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of Curtis' (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2014. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The Township's assets exceeded its liabilities by \$1,335,788.
- The Township's total net position increased by \$156,643. This is mainly the result of an increase in net position of the governmental activities due to there being no current year road projects, in addition to a new fire millage for the 2013 tax levy, with no corresponding fire expenses as of March 31, 2014.
- The Township's general fund reported an ending fund balance of \$163,040 this year, an increase of \$14,060. Of that amount, \$85,901 is available for spending (*unassigned fund balance*) on behalf of its citizens.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net position* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, capital assets are listed for the Township of Curtis. These assets are comprised of buildings and improvements, land improvements, machinery and equipment, and land owned by the Township. These assets total over \$1.6 million.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary.*

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions and grants.
- Road Fund – This fund accounts for the road operations of the Township. Revenues are derived primarily from a special voted tax for road improvements.
- Fire Equipment Fund – This fund accounts for the purchase of equipment for fire protection of the Township. Revenues are derived primarily from a special voted tax for fire protection.

The General Fund fund balance increased by \$14,060 due to revenues exceeding expenditures in various areas. There were no significant changes in revenues or expenditures from the prior year.

The Road Fund fund balance increased by \$119,747, which was a result of property tax revenue exceeding public works expenditures due to the fact that there were not any road projects in the current year.

The Fire Equipment Fund fund balance increased by \$40,269 due to the fact that this was a new millage for the 2013 tax levy and there had not been any corresponding expenditures as of March 31, 2014.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following is the Township's major enterprise fund:

- Alcona Park Fund – This fund accounts for fees collected for park services provided by the Township.

The Alcona Park Fund did not experience a significant change in net position in the current year.

Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes and fines and forfeitures collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

Government -Wide Financial Analysis

Summary of Net Position:

The following summarizes the net position of the Township of Curtis at March 31, 2014 and March 31, 2012:

Net Position Summary

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>March 31, 2014</u>	<u>March 31, 2012</u>
Current Assets	\$ 553,293	\$ 267,599	\$ 820,892	\$ 641,680
Capital Assets – Not Being Depreciated	35,669	0	35,669	35,669
Capital Assets – Net of Accumulated Depreciation	<u>125,055</u>	<u>387,033</u>	<u>512,088</u>	<u>581,796</u>
Total Assets	<u>714,017</u>	<u>654,632</u>	<u>1,368,649</u>	<u>1,259,145</u>
Current Liabilities	<u>1,898</u>	<u>30,963</u>	<u>32,861</u>	<u>28,152</u>
Net Position				
Net Investment in Capital Assets	160,724	387,033	547,757	617,465
Restricted	388,355	0	388,355	173,471
Unrestricted	<u>163,040</u>	<u>236,636</u>	<u>399,676</u>	<u>440,057</u>
Total Net Position	<u>\$ 712,119</u>	<u>\$ 623,669</u>	<u>\$ 1,335,788</u>	<u>\$ 1,230,993</u>

Summary of Changes in Net Position :

Following is an analysis of the changes in net position for fiscal year 2014 and 2012.

Generally speaking, the Township's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation. The Township of Curtis, through its governing body, i.e., Township Board of Trustees, has taken a sensible approach regarding capital asset acquisition. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>March 31, 2014</u>	<u>March 31, 2012</u>
Program Revenues:				
Charges for Services	\$ 30,335	\$ 472,748	\$ 503,083	\$ 480,061
Operating Grants and Contributions	<u>5,205</u>	<u>0</u>	<u>5,205</u>	<u>9,187</u>
Total Program Revenues	<u>35,540</u>	<u>472,748</u>	<u>508,288</u>	<u>489,248</u>

Summary of Changes in Net Position (Continued):

General Revenues:

Property Taxes	\$ 211,493	\$ 0	\$ 211,493	\$ 154,979
State Revenue Sharing	91,398	0	91,398	86,628
Interest and Investment Earnings	446	1,179	1,625	3,436
Rent Income	9,345	0	9,345	9,760
Other	<u>10,412</u>	<u>0</u>	<u>10,412</u>	<u>16,451</u>
Total General Revenues	<u>323,094</u>	<u>1,179</u>	<u>324,273</u>	<u>271,254</u>

Total Revenues	<u>358,634</u>	<u>473,927</u>	<u>832,561</u>	<u>760,502</u>
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Program Expenses:

General Government	131,342	0	131,342	121,314
Public Safety	48,007	0	48,007	47,154
Public Works	9,812	0	9,812	68,833
Community and Economic Development	10,546	0	10,546	13,021
Park Services	<u>0</u>	<u>476,211</u>	<u>476,211</u>	<u>490,408</u>
Total Program Expenses	<u>199,707</u>	<u>476,211</u>	<u>675,918</u>	<u>740,730</u>

Change in Net Position	158,927	(2,284)	156,643	19,772
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Beginning Net Position	<u>553,192</u>	<u>625,953</u>	<u>1,179,145</u>	<u>1,211,221</u>
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Ending Net Position	<u>\$ 712,119</u>	<u>\$ 623,669</u>	<u>\$ 1,335,788</u>	<u>\$ 1,230,993</u>
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Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$35,540 from *Charges for Services* and *Operating Grants and Contributions*. The *Charges for Services* are fees mainly associated with the collection of property taxes, fines and forfeitures, and licenses and permits. While revenue collected is substantial, operating expenses totaled \$199,707 for these same activities. The largest expenses were incurred by General Government offices (\$131,342) and Public Safety (\$48,007).

Business-Type Activities

The Township's main *Business-Type activities* are the services provided by Alcona Park. For the most part, Park revenues and expenditures reflected maintenance of the status quo as compared to past years.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds: 1) General Fund, which accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, and grants. 2) Road Fund, which accounts for the road operations of the Township. Revenues are derived primarily from a special voted tax for road improvements. 3) Fire Equipment Fund, which

accounts for the purchase of equipment for fire protection of the Township. Revenues are derived primarily from a special voted tax for fire protection.

This year's Township audit shows three governmental funds. The Township Treasurer maintains these funds as separate units in the General Ledger.

Enterprise Fund

The Township's enterprise fund provides the same type of information found in the government-wide financial statements. The services provided by Alcona Park comprise this fund. GASB 34 places such funds under the caption of *Proprietary Funds* under the appropriate statements, i.e., *Statement of Net Position*, *Statement of Cash Flows*, etc.

Fiduciary Funds

Fiduciary Fund reporting focuses on net position and changes in net position. The Township's agency funds account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent.

Budgetary Highlights

The Township's budgets are prepared according to Michigan Law.

During the fiscal year ended March 31, 2014 the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

The General Fund actual revenue was \$195,985. That amount is above the original and final budget estimate of \$184,300. The variance between the actual revenue and the original and final budget was mainly due to increases in property taxes and federal and state revenues, offset by a decrease in refunds and reimbursements.

The General Fund actual expenditures were \$181,925. That amount is below the original and final budget estimate of \$239,196. The variance between the actual expenditures and the original and final budget was due to decreased spending in various areas.

The General Fund had total revenues of \$195,985, total expenditures of \$181,925, and an ending fund balance of \$163,040.

Capital Assets

Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

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

Capital Assets – Governmental Activities beginning and ending balance was \$543,707. Governmental Activities Total Capital Assets – Net of Depreciation was \$160,724.

Capital Assets - Business Type Activities beginning balance was \$1,093,637 with an ending balance of \$1,143,533. Business-Type Activities Total Capital Assets – Net of Depreciation was \$387,033. Capital assets for the Park increased by \$49,896 due to the purchase of lawn mowers for \$6,377, a playground structure for \$7,726, and various capital and electrical improvements to Park facilities totaling \$35,793.

An expanded and detailed presentation may be seen in Note 4 of the notes to financial statements.

Economic Factors

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. The Township property tax revenues account for approximately 38% of the Township General Fund Revenues.

Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 47%. In the current year, the Township benefited from a slight increase in State Revenue Sharing as the State's economy continues to recover. The Township has been able to operate in a streamlined manner, thus building up the General Fund balance to prepare for any reductions that may occur.

The major expenditures for the Township General Fund are for General Government activities followed by Public Safety.

The Township Board monitors the revenue and expenditures throughout the year and takes appropriate action when the economic factors dictate a change.

Component Unit

Complete financial statements for the Curtis Township Library may be obtained from the Township of Curtis' Clerk's Office.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of Curtis, P.O. Box 90, Glennie, MI 48737.

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF NET POSITION
March 31, 2014

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Curtis Township Library</u>
<u>Assets</u>				
Cash and Cash Equivalents (Note 3)	\$ 293,871	\$ 101,648	\$ 395,519	\$ 4,408
Investments (Note 3)	10,000	165,951	175,951	11,055
Receivables:				
Delinquent Taxes	26,284	0	26,284	0
Due from Local Units	209,765	0	209,765	0
Due from State	13,373	0	13,373	0
Noncurrent Assets:				
Capital Assets Not Being Depreciated (Note 4)	35,669	0	35,669	17,500
Capital Assets, Net of Accumulated Depreciation (Note 4)	<u>125,055</u>	<u>387,033</u>	<u>512,088</u>	<u>170,729</u>
Total Assets	<u>714,017</u>	<u>654,632</u>	<u>1,368,649</u>	<u>203,692</u>
<u>Liabilities</u>				
Accounts Payable	1,828	5,600	7,428	461
Accrued Liabilities	70	0	70	0
Unearned Revenue (Note 5)	<u>0</u>	<u>25,363</u>	<u>25,363</u>	<u>0</u>
Total Liabilities	<u>1,898</u>	<u>30,963</u>	<u>32,861</u>	<u>461</u>
<u>Net Position</u>				
Net Investment in Capital Assets	160,724	387,033	547,757	188,229
Restricted For:				
Roads	348,086	0	348,086	0
Equipment for Fire Protection	40,269	0	40,269	0
Unrestricted	<u>163,040</u>	<u>236,636</u>	<u>399,676</u>	<u>15,002</u>
Total Net Position	<u>\$ 712,119</u>	<u>\$ 623,669</u>	<u>\$ 1,335,788</u>	<u>\$ 203,231</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Curtis Township Library
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
<u>Primary Government</u>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 19,064	\$ 0	\$ 0	\$ 0	\$ (19,064)	\$ 0	\$ (19,064)	
Financial and Tax								
Administration	48,462	25,635	0	0	(22,827)	0	(22,827)	
Other General Government	63,816	3,300	0	0	(60,516)	0	(60,516)	
Public Safety:								
Fire	48,007	0	0	0	(48,007)	0	(48,007)	
Public Works:								
Other Public Works	9,812	0	5,205	0	(4,607)	0	(4,607)	
Community and Economic								
Development	<u>10,546</u>	<u>1,400</u>	<u>0</u>	<u>0</u>	<u>(9,146)</u>	<u>0</u>	<u>(9,146)</u>	
Total Governmental								
Activities	<u>199,707</u>	<u>30,335</u>	<u>5,205</u>	<u>0</u>	<u>(164,167)</u>	<u>0</u>	<u>(164,167)</u>	
Business-Type Activities:								
Park Services	<u>476,211</u>	<u>472,748</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,463)</u>	<u>(3,463)</u>	
Total Primary Government	<u>\$ 675,918</u>	<u>\$ 503,083</u>	<u>\$ 5,205</u>	<u>\$ 0</u>	<u>(164,167)</u>	<u>(3,463)</u>	<u>(167,630)</u>	
<u>Component Unit</u>								
Curtis Township Library	<u>\$ 56,574</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,709</u>				<u>\$ (49,865)</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

Function/Program	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Primary Government			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	Curtis Township Library
General Revenue:								
Property Taxes Levied For:								
General Operating					\$ 49,123	\$ 0	\$ 49,123	\$ 0
Equipment for Fire Protection					40,269	0	40,269	0
Roads					122,101	0	122,101	0
Library Operating					0	0	0	29,338
State Revenue Sharing					91,398	0	91,398	617
Penal Fines					0	0	0	8,500
Interest and Investment								
Earnings					446	1,179	1,625	43
Rent Income					9,345	0	9,345	0
Other					10,412	0	10,412	1,563
Total General Revenue					<u>323,094</u>	<u>1,179</u>	<u>324,273</u>	<u>40,061</u>
Change in Net Position					158,927	(2,284)	156,643	(9,804)
Net Position - Beginning					<u>553,192</u>	<u>625,953</u>	<u>1,179,145</u>	<u>213,035</u>
Net Position - Ending					<u>\$ 712,119</u>	<u>\$ 623,669</u>	<u>\$ 1,335,788</u>	<u>\$ 203,231</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2014

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Equipment Fund</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 3)	\$ 67,840	\$ 226,031	\$ 0	\$ 293,871
Investments (Note 3)	10,000	0	0	10,000
Receivables:				
Delinquent Taxes	6,471	14,898	4,915	26,284
Due from Local Units	67,254	107,157	35,354	209,765
Due from State	<u>13,373</u>	<u>0</u>	<u>0</u>	<u>13,373</u>
Total Assets	<u>\$ 164,938</u>	<u>\$ 348,086</u>	<u>\$ 40,269</u>	<u>\$ 553,293</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,828	\$ 0	\$ 0	\$ 1,828
Accrued Liabilities	<u>70</u>	<u>0</u>	<u>0</u>	<u>70</u>
Total Liabilities	<u>1,898</u>	<u>0</u>	<u>0</u>	<u>1,898</u>
<u>Fund Equity</u>				
Fund Balances:				
Restricted For:				
Roads	0	348,086	0	348,086
Equipment for Fire Protection	0	0	40,269	40,269
Assigned To:				
2014/2015 Budgeted Expenditures	77,139	0	0	77,139
Unassigned	<u>85,901</u>	<u>0</u>	<u>0</u>	<u>85,901</u>
Total Fund Equity	<u>163,040</u>	<u>348,086</u>	<u>40,269</u>	<u>551,395</u>
Total Liabilities and Fund Equity	<u>\$ 164,938</u>	<u>\$ 348,086</u>	<u>\$ 40,269</u>	<u>\$ 553,293</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2014

Total Governmental Fund Balances		\$	551,395
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 as assets in governmental funds. Capital assets at year end consist of:			
Capital Asset Cost	\$	543,707	
Accumulated Depreciation		<u>(382,983)</u>	
			<u>160,724</u>
Total Net Position - Governmental Activities		\$	<u>712,119</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2014

	Special Revenue Funds			
	General Fund	Road Fund	Fire Equipment Fund	Total Governmental Funds
<u>Revenue</u>				
Property Taxes	\$ 74,678	\$ 122,101	\$ 40,269	\$ 237,048
Federal Grants and Revenue	5,205	0	0	5,205
State Grants and Revenue	91,398	0	0	91,398
Licenses and Permits	1,480	0	0	1,480
Charges for Services	3,000	0	0	3,000
Interest and Rentals	9,512	279	0	9,791
Other Revenue	10,712	0	0	10,712
Total Revenue	195,985	122,380	40,269	358,634
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	11,384	0	0	11,384
Chief Executive	7,680	0	0	7,680
Financial and Tax Administration	48,462	0	0	48,462
Other General Government	46,454	0	0	46,454
Public Safety	33,260	0	0	33,260
Public Works	7,179	2,633	0	9,812
Community and Economic Development	10,546	0	0	10,546
Other	16,960	0	0	16,960
Total Expenditures	181,925	2,633	0	184,558
Excess of Revenue Over (Under) Expenditures	14,060	119,747	40,269	174,076
Fund Balances - Beginning of Year	148,980	228,339	0	377,319
Fund Balances - End of Year	\$ 163,040	\$ 348,086	\$ 40,269	\$ 551,395

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	174,076
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 those assets is allocated over their estimated useful lives as depreciation expense.		
Current Year Depreciation Expense		<u>(15,149)</u>
Change in Net Position of Governmental Activities	\$	<u>158,927</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUND
March 31, 2014

	<u>Enterprise Fund Alcona Park Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents (Note 3)	\$ 101,648
Investments (Note 3)	<u>165,951</u>
Total Current Assets	267,599
 Noncurrent Assets:	
Capital Assets, Net (Note 4)	<u>387,033</u>
 Total Assets	<u>654,632</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	5,600
Unearned Revenue (Note 5)	<u>25,363</u>
Total Current Liabilities	<u>30,963</u>
<u>Net Position</u>	
Net Investment in Capital Assets	387,033
Unrestricted	<u>236,636</u>
 Total Net Position	 \$ <u>623,669</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended March 31, 2014

	Enterprise Fund <u>Alcona Park Fund</u>
<u>Operating Revenue</u>	
Camping Fees	\$ 427,133
Shower Fees	4,774
Store Sales	37,858
Other Revenue	2,983
Total Operating Revenue	<u>472,748</u>
 <u>Operating Expenses</u>	
Salaries and Wages	194,418
Payroll Taxes and Employee Benefits	53,930
Administrative Costs	1,200
Contractual Services	7,829
Depreciation	61,371
Dust Control	4,216
Gasoline and Oil	19,496
Insurance and Bonds	16,839
Office Supplies	10,664
Printing and Advertising	7,721
Property Taxes	6,203
Rent	2,500
Repair and Maintenance	25,967
Store Supplies	23,885
Janitorial Supplies	2,744
Small Tools	36
Telephone	2,299
Travel and Training	206
Uniforms	1,235
Utilities	32,324
Other	1,128
Total Operating Expenses	<u>476,211</u>
Operating Loss	(3,463)
 <u>Nonoperating Revenue (Expenses)</u>	
Interest and Investment Earnings	<u>1,179</u>
 Change in Net Position	(2,284)
 Net Position - Beginning of Year	<u>625,953</u>
 Net Position - End of Year	<u>\$ 623,669</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended March 31, 2014

	Enterprise Fund <u>Alcona Park Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers	\$ 475,801
Payments to Suppliers for Goods and Services	(166,492)
Payments to Employees for Services	<u>(248,348)</u>
Net Cash Provided (Used) by Operating Activities	<u>60,961</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Acquisition and Construction of Capital Assets	(44,296)
<u>Cash Flows From Investing Activities</u>	
Interest on Investments	<u>364</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,029
Cash and Cash Equivalents at Beginning of Year (Note 1)	<u>84,619</u>
Cash and Cash Equivalents at End of Year (Note 1)	<u>\$ 101,648</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ (3,463)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	61,371
Change in Assets and Liabilities:	
Unearned Revenue	<u>3,053</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 60,961</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
March 31, 2014

	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents (Note 3)	\$ <u>194,036</u>	\$ <u>10,095</u>	\$ <u>204,131</u>
<u>LIABILITIES</u>			
Due to Local Units	\$ 194,036	\$ 2,524	\$ 196,560
Due to State	0	382	382
Due to Other Agencies and Individuals	<u>0</u>	<u>7,189</u>	<u>7,189</u>
Total Liabilities	\$ <u>194,036</u>	\$ <u>10,095</u>	\$ <u>204,131</u>

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

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Curtis (Township) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of Township Operations and Fund Types

The Township of Curtis operates under an elected Township Board of five members and provides services to its residents in many areas including road maintenance and fire protection. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

Component units are legally separate organizations for which the Township is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Blended Component Unit

a. Business-Type Activity and Proprietary Fund Type Blended Component Unit:

Alcona Park - The Alcona Park is legally separate from the Township. The Township Park is reported as if it were a part of the primary government because its sole purpose is to finance, construct and operate the Township's Alcona Park. The financial activities of the Alcona Park are recorded in an Enterprise Fund. The Alcona Park uses a December 31, 2013 year end, which is what is presented in these financial statements. Complete financial statements for the Alcona Park can be obtained from the Township Clerk's office.

2. Discretely Presented Component Unit

The component unit column on the combined financial statements include the financial data of the Township's component unit. It is reported in a separate column to emphasize that it is legally separate from the Township.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

a. Governmental Activity and Fund Type Component Unit:

Curtis Township Library - The component unit column in the financial statements represents the financial data of the Curtis Township Library. The Library is reported in a separate column to emphasize that it is legally separate from the Township. The governing body of this component unit consists of six Library Board Members. The Library was established in 1994 to maintain and operate a public library for the Township of Curtis. The Curtis Township Library uses a December 31, 2013 year end, which is what is presented in these financial statements. Complete financial statements can be obtained from the Township Clerk's office.

C. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component units, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and federal and state revenues.

Road Fund - This fund accounts for the road operations of the Township. Revenues are derived primarily from a special voted tax for road improvements.

Fire Equipment Fund - This fund accounts for the purchase of equipment for fire protection of the Township. Revenues are derived primarily from a special voted tax for equipment for fire protection.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the Township's major enterprise fund:

Alcona Park Fund - This fund accounts for fees collected for park services provided by the Township.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The Township's agency fund's account for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses these funds to account for payroll tax withholdings and the eventual payment of the liability, as well as property tax collections.

E. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net position.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), grants, interest, rent and various other items.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This 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 has no items that qualify for reporting in this category.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Receivables

Receivables generally consist of property taxes. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at March 31, 2014 was \$0 for the primary government and the component unit.

I. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as Internal Balances.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. 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 the date of donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Improvements	20 - 40 years
Machinery and Equipment	5 - 15 years
Library Materials	7 years

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position on the government-wide financial statements, as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

M. 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 nonspendable 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.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by a resolution of the Township Board—the Township's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township 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 or personnel authorized by the Board have 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 nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount will also be categorized as Assigned fund balance.

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.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance (Continued)

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.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for park services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2014.

Q. Budgets and Budgetary Accounting

The Township of Curtis normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts a budget for the General Fund and the Special Revenue Funds.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in financial statement presentations.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 293,871	\$ 101,648	\$ 204,131	\$ 599,650	\$ 4,408
Investments	<u>10,000</u>	<u>165,951</u>	<u>0</u>	<u>175,951</u>	<u>11,055</u>
Total	<u>\$ 303,871</u>	<u>\$ 267,599</u>	<u>\$ 204,131</u>	<u>\$ 775,601</u>	<u>\$ 15,463</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 774,826	\$ 15,463
Petty Cash and Cash on Hand	<u>775</u>	<u>0</u>
Total	<u>\$ 775,601</u>	<u>\$ 15,463</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, \$239,736 of the Township's bank balance of \$790,823 was exposed to custodial credit risk.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of March 31, 2014, \$0 of the Curtis Township Library's bank balance of \$15,881 was exposed to custodial credit risk.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Township's investment policy does not address foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2014, was as follows:

	Balance 04/01/13	Additions	Deletions	Balance 03/31/14
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 35,669	\$ 0	\$ 0	\$ 35,669
Capital Assets Being Depreciated:				
Land Improvements	6,038	0	0	6,038
Buildings and Improvements	141,944	0	0	141,944
Machinery and Equipment	360,056	0	0	360,056
Subtotal	<u>508,038</u>	<u>0</u>	<u>0</u>	<u>508,038</u>
Less Accumulated Depreciation for:				
Land Improvements	(1,711)	(402)	0	(2,113)
Buildings and Improvements	(119,829)	(1,115)	0	(120,944)
Machinery and Equipment	(246,294)	(13,632)	0	(259,926)
Subtotal	<u>(367,834)</u>	<u>(15,149)</u>	<u>0</u>	<u>(382,983)</u>
Capital Assets Being Depreciated	<u>140,204</u>	<u>(15,149)</u>	<u>0</u>	<u>125,055</u>
Governmental Activities Total Capital Assets - Net of Depreciation	<u>\$ 175,873</u>	<u>\$ (15,149)</u>	<u>\$ 0</u>	<u>\$ 160,724</u>
	Balance 01/01/13	Additions	Deletions	Balance 12/31/13
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Land Improvements	\$ 309,957	\$ 22,107	\$ 0	\$ 332,064
Buildings and Improvements	460,417	13,686	0	474,103
Machinery and Equipment	323,263	14,103	0	337,366
Subtotal	<u>1,093,637</u>	<u>49,896</u>	<u>0</u>	<u>1,143,533</u>
Less Accumulated Depreciation for:				
Land Improvements	(149,688)	(13,889)	0	(163,577)
Buildings and Improvements	(268,761)	(23,078)	0	(291,839)
Machinery and Equipment	(276,680)	(24,404)	0	(301,084)
Subtotal	<u>(695,129)</u>	<u>(61,371)</u>	<u>0</u>	<u>(756,500)</u>
Business-Type Activities Total Capital Assets - Net of Depreciation	<u>\$ 398,508</u>	<u>\$ (11,475)</u>	<u>\$ 0</u>	<u>\$ 387,033</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government:

Other General Government \$ 402

Public Safety:

Fire 14,747

Total Governmental Activities \$ 15,149

Business-Type Activities

Park \$ 61,371

Capital asset activity of the Curtis Township Library for the current year was as follows:

	<u>Balance</u> <u>01/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/13</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>17,500</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>17,500</u>
Capital Assets Being Depreciated				
Land Improvements	7,855	0	0	7,855
Buildings	195,367	0	0	195,367
Machinery and Equipment	36,095	0	0	36,095
Collections - Library Materials	<u>170,710</u>	<u>4,025</u>	<u>0</u>	<u>174,735</u>
Subtotal	<u>410,027</u>	<u>4,025</u>	<u>0</u>	<u>414,052</u>
Less Accumulated Depreciation for:				
Land Improvements	(524)	(392)	0	(916)
Buildings	(77,977)	(4,885)	0	(82,862)
Machinery and Equipment	(16,159)	(3,302)	0	(19,461)
Collections - Library Materials	<u>(131,549)</u>	<u>(8,535)</u>	<u>0</u>	<u>(140,084)</u>
Subtotal	<u>(226,209)</u>	<u>(17,114)</u>	<u>0</u>	<u>(243,323)</u>
Capital Assets Being Depreciated	<u>183,818</u>	<u>(13,089)</u>	<u>0</u>	<u>170,729</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>201,318</u>	\$ <u>(13,089)</u>	\$ <u>0</u>	\$ <u>188,229</u>

Depreciation expense was charged in full to the Curtis Township Library function.

NOTE 5 - UNEARNED REVENUE

Unearned revenue represents prepaid camping fees to be recognized in the following fiscal year.

TOWNSHIP OF CURTIS
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2014

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$61,246,073 for Township operating purposes, roads, and equipment for fire protection, and \$58,781,084 for Library services, which is on a 12/31/13 fiscal year end and would be based on the 2012 Levy. The 2013 operating tax rate is currently .6457 mills for operations, 2.0000 mills for roads, and .6600 mills for equipment for fire protection, and the 2012 operating tax rate for Library services was .5000 mills.

NOTE 7 - OPERATING LEASES

Township Hall

On March 28, 2013, the Township of Curtis entered into a three year lease agreement with Oscoda Area Schools. The Township uses the leased space as the Township Hall. The Township is responsible for utility costs in excess of \$8,000 which represents rent expense in lieu of cash payments. The amount paid for utilities in lieu of rent payments for the fiscal year ended March 31, 2014 was \$24,556.

Alcona Park

On May 1, 1997, the Alcona Park entered into a lease agreement with Consumers Energy for the rental of the tract of land that includes camping areas on both sides of the AuSable River on Alcona Pond. The lease has been extended through 2017 at an amount of \$2,500 per year, based on expenses the lessor expects to incur in administering the terms of the lease. In addition, Alcona Park shall pay all taxes, assessments and other public charges levied on the leased premises during each year that the lease is in effect.

NOTE 8 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. Accrued unemployment compensation was \$0 as of March 31, 2014.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries and natural disasters. The Township has purchased commercial insurance for risks of loss and participates in the Michigan Municipal workers compensation fund risk pool for claims relating to workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal Workers Compensation Fund program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 10 - COMMITMENTS

The Township has a contractual commitment in the amount of \$189,000 in the form of an equipment purchase agreement for the purchase of a Rosenbauer Firestart Tank Apparatus Body. This tanker's construction was not complete as of March 31, 2014 and therefore, was not in possession of the Township at year end. Title does not transfer to the Township until delivery. Upon delivery, the installment purchase contract will be assigned to Huron Community Bank. Annual payments will commence on August 28, 2014 for \$37,800 plus interest. Interest will be charged at a rate of .85% annum.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 65,000	\$ 65,000	\$ 74,678	\$ 9,678
Federal Grants and Revenue	0	0	5,205	5,205
State Grants and Revenue	79,500	79,500	91,398	11,898
Licenses and Permits	1,300	1,300	1,480	180
Charges for Services	3,700	3,700	3,000	(700)
Interest and Rentals	9,300	9,300	9,512	212
Other Revenue	<u>25,500</u>	<u>25,500</u>	<u>10,712</u>	<u>(14,788)</u>
Total Revenue	<u>184,300</u>	<u>184,300</u>	<u>195,985</u>	<u>11,685</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	16,110	14,498	11,384	3,114
Chief Executive	8,476	8,476	7,680	796
Financial and Tax Administration	49,235	51,676	48,462	3,214
Other General Government	65,600	64,771	46,454	18,317
Public Safety	50,500	50,500	33,260	17,240
Public Works	14,180	14,180	7,179	7,001
Community and Economic Development	15,290	15,290	10,546	4,744
Recreation and Cultural	200	200	0	200
Other	<u>19,605</u>	<u>19,605</u>	<u>16,960</u>	<u>2,645</u>
Total Expenditures	<u>239,196</u>	<u>239,196</u>	<u>181,925</u>	<u>57,271</u>
Excess of Revenue Over (Under) Expenditures	(54,896)	(54,896)	14,060	68,956
Fund Balances - Beginning of Year	<u>148,980</u>	<u>148,980</u>	<u>148,980</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 94,084</u>	<u>\$ 94,084</u>	<u>\$ 163,040</u>	<u>\$ 68,956</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 116,215	\$ 116,215	\$ 122,101	\$ 5,886
Interest and Rentals	150	150	279	129
Total Revenue	<u>116,365</u>	<u>116,365</u>	<u>122,380</u>	<u>6,015</u>
<u>Expenditures</u>				
Current:				
Public Works	<u>77,280</u>	<u>77,280</u>	<u>2,633</u>	<u>74,647</u>
Excess of Revenue Over (Under) Expenditures	39,085	39,085	119,747	80,662
Fund Balances - Beginning of Year	<u>228,339</u>	<u>228,339</u>	<u>228,339</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 267,424</u>	<u>\$ 267,424</u>	<u>\$ 348,086</u>	<u>\$ 80,662</u>

TOWNSHIP OF CURTIS
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FIRE EQUIPMENT FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 0	\$ 0	\$ 40,269	\$ 40,269
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenue Over (Under) Expenditures	0	0	40,269	40,269
Fund Balances - Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,269</u>	<u>\$ 40,269</u>



Stephenson, Gracik & Co., P.C.
Certified Public Accountants & Consultants

Alan J. Stephenson, CPA
Gerald D. Gracik Jr., CPA
James J. Gracik, CPA
Donald W. Brannan, CPA
Kyle E. Troyer, CPA
Robert J. Morand, CPA

August 25, 2014

Management and the Township Board
Township of Curtis
Alcona County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 20, 2014. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

- I Communication with Those Charged with Governance
- II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on August 25, 2014. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the Township and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson, Gracik & Co., P.C.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 20, 2014, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility for the management's discussion and analysis and budgetary comparison information, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our engagement letter related to planning matters dated January 20, 2014.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Curtis are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township of Curtis changed accounting policies by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and No. 65, "Items Previously Reported as Assets and Liabilities" in 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the government 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 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.

**APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

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 August 25, 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 Township of Curtis' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Curtis as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Curtis' 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 the Township of Curtis' internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Curtis' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation of the Township of Curtis' financial statements. However, if at any point in the audit we as auditors are part of the Township's control system for producing reliable financial statements, auditing standards indicate that the Township has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Township would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

View of Responsible Officials:

The Township 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 Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

SEGREGATION OF DUTIES

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The effect of this is that the lack of segregation of duties provides an opportunity for misappropriation of assets possibly without detection. Although the size of the Township's staff prohibits complete adherence to this concept, we believe that implementing the following practice could greatly improve existing internal control without impairing efficiency. We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without the authority to sign checks, without access to noncash accounting records, and not involved in reconciling bank accounts.

APPENDIX II MANAGEMENT COMMENTS

View of Responsible Officials:

The Township of Curtis has evaluated the cost vs. benefit of correcting this material weakness and it is not in the Township's best interest to correct this issue at this time.

CANCELLED CHECKS REVIEW

The State of Michigan's Accounting Procedures Manual for Local Units of Government in Michigan, states that cancelled checks must be made available to the local unit of government. Currently, the Curtis Township Library, Alcona Park and the Township of Curtis do not receive images of cancelled checks monthly with the bank statement. We recommend that two members of each board, whom are not authorized signers on the bank account, carefully review the cancelled checks each month. This review should include examination to ensure dual signatures are indeed on all checks, the cancelled checks' amounts and vendors agree to the disbursement ledger, and finally that endorsements on the checks appear reasonable and are not a related party to the entities. Further the bank statement should be reviewed for any electronic transfers, ACH payments or non-check withdrawals to ensure they are legitimate expenses of the Library, Park or Township. We also recommend that the Board Members performing the review, document this review with their initialing of the bank statement and check images.

View of Responsible Officials:

Effective in 2014, the Library, Park, and Township Board will establish procedures for the review of cancelled checks and bank statements by two non-check signing members of the Board.

DUAL SIGNATURES FOR CHECKS

During the audit, we observed that checks written from the Library's petty cash checking account and grant checking account only required one signature. The State of Michigan's Accounting Procedures Manual requires two signatures on each check. The only exception is for a tax collection account. The effect of this material weakness is that the Library is not in compliance with State requirements and the lack of dual signatures creates an opportunity for the misappropriation of assets. We recommend that the Library Board adopt a policy requiring two signatures on all checks written in accordance with State of Michigan requirements.

View of Responsible Officials:

Effective in 2014, the Library Board will require two signatures on all checks

REVIEW OF INVOICES

While gaining an understanding of the current internal controls in place at the Library, we discovered that the invoices of the Library are no longer reviewed by anyone other than the Director. They are not provided to the Treasurer even though she is the second signature on the checks. In addition, they are not reviewed by the Library Board as part of their approval of monthly lists of bills. The effect of this material weakness is that checks may be signed and approved that are not true expenditures of the Library because supporting documentation is only reviewed by one individual. We recommend that either the Township Treasurer or the Library Board is provided with invoices to review during the check signing process or the approval of the monthly bill listing process.

View of Responsible Officials:

Effective in 2014, the Library Board will decide on which party will be the second review of invoices and implement the recommendation.

APPENDIX II MANAGEMENT COMMENTS

REVIEW OF CASH RECEIPTS

While gaining an understanding of the current internal controls in place at the Library, we discovered that currently one individual is collecting the majority of cash collected at the Library and that same individual is preparing the cash receipt and the deposit. There is currently no review of the receipts or comparison of receipts to deposits by another individual. The effect of this material weakness is that this creates an opportunity for misappropriation of assets. We recommend that the Library Director begin comparing the receipt book to the deposits on a monthly basis.

View of Responsible Officials:

Effective in 2014, the Library Director will begin comparing receipts to deposits on a monthly basis.

CAMPER REVENUE MONITORING

The Alcona Park cash and revenue receipting process was reviewed as part of the risk assessment procedures and it appears that there are controls in place to account for the daily activity. The Park is also tracking the number of campers and/or camper days to be able to monitor or test the reasonableness of income for camping fees during the year. However, the Park has not yet developed a monthly report, for presentation to the Board, to summarize the number of campers, the number of camper days, and the amount of camper fees collected for the current month as well as year to date. This report will not only provide the Park Board with information to help monitor camper activity on a monthly basis, but will also provide a means of reconciling back to the general ledger activity.

View of Responsible Officials:

The Alcona Park will begin providing the Park Board with a monthly report of camper days, number of campers for each month, and year to date totals, in 2014.

RECORDING AND DEPOSITING OF CAMPING FEES

During our audit procedures related to camping fees, we observed that the cash collected, credit card payments collected and checks collected per the cash register reports agreed in total to the amount per the deposit slip, but that by payment type (i.e. cash, credit card payments, checks) it did not. Per the Accounting Procedures Manual for Local Units of Government by the Michigan Department of Treasury Local Audit and Finance Division, currency must be deposited intact. Procedures must ensure that currency (cash and coins) are counted separately from checks and other payment methods both in the cash receipts and in the deposit slip or other deposit support. Total currency collected must be in agreement between these two sources. Misappropriation of assets can be concealed by the taking of cash receipts and replacing them with checks that are never receipted. Because of this, it is recommended that each bank deposit, as evidenced by bank deposit slip, is in agreement with cash receipts and cash register reports not only in total but by payment type as well. We recommend the Park Bookkeeper reviews cash register reports to ensure payment by type agrees to the deposit slips. Any discrepancies should be immediately investigated and documented.

View of Responsible Officials:

Effective immediately, the Park Bookkeeper will require receipts to properly document the type of payment made. The Park Bookkeeper will begin reviewing deposit slips and cash register reports to ensure they agree and will promptly investigate any discrepancies.

The Township of Curtis' responses to the material weaknesses identified above have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**APPENDIX II
MANAGEMENT COMMENTS**

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are an opportunity for strengthening internal controls and operating efficiency.

FINANCIAL POLICY

According to the State of Michigan’s Accounting Procedures Manual for Local Units of Government in Michigan, an electronic funds transfer policy in accordance Public Act 738 of 2002 is required to be approved by the governing body before making any payments using the ACH system or other wire transfers. We recommend that the Alcona Park create and approve the above policy.

FIRE EQUIPMENT FUND BUDGET

In the current year, the Township of Curtis levied a new special voted millage for the purchase of equipment for fire protection. The 2013 tax year was the first year of the levy. The Michigan Department of Treasury requires a separate special revenue fund for all special voted millages. The Township Board is required by the Uniform Budget and Accounting Act to pass a formal budget for each special revenue fund. The Township did not adopt a budget for the Fire Equipment Fund for the year ended March 31, 2014. While, the Township did not spend any funds out of the Fire Equipment Fund, any activity in a special revenue fund warrants the adoption of a budget. We recommend that the Township adopt a budget for its Fire Equipment Fund and any other new special revenue funds in the future in the year of inception.

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Segregation of Duties		X		
Cash Reconciliations	X			
Camper Revenue Monitoring				X
Credit Card Policy	X			
Authorization for Electronic Transactions	X			