

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

September 27, 2013

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Dryden, Lapeer County, Michigan as of and for the year ended June 30, 2013, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Dryden's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Dryden, Lapeer County, Michigan as of June 30, 2013, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2013

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Position at June 30, 2013, totaled \$4,074,459.27 Of this total, \$1,095,571.72 represents capital assets net of depreciation.

Overall revenues were \$1,265,374.51.

We did not incur any new debt during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

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

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

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

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

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

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

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

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

All of the activities of the Township are reported as governmental activities. These include the General Fund, Fire Fund, Police Fund, and the Library Fund.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended June 30, 2013

	Total Governmental Activities 2012	Total Governmental Activities 2013
Current Assets	3 162 387	3 059 165
Capital Assets	1 232 803	1 095 571
Total Assets	4 395 190	4 154 736
Current Liabilities	19 141	80 277
Non-current liabilities	-	-
Total Liabilities	19 141	80 277
Net Position:		
Invested in Capital		
Assets	1 232 803	1 095 571
Unrestricted	3 143 246	2 978 888
Total Net Position	4 376 049	4 074 459
	Total Governmental Activities 2012	Total Governmental Activities 2013
Program Revenues:		
Fees and Charges for Services	53 608	53 266
General Revenues:		
Property Taxes	832 533	834 980
State Revenue Sharing	285 524	282 101
Penal Fines	17 005	17 734
Interest	13 745	14 135
Miscellaneous	106 253	63 158
Total Revenues	1 308 668	1 265 374
Program Expenses:		
Legislative	91 508	100 203
General Government	333 803	357 561
Public Safety	674 010	682 120
Public Works	200 993	257 847
Recreation and Culture	181 499	169 233
Total Expenses	1 481 813	1 566 964
Change in Net Position	(173 145)	(301 590)
Net Position, July 1	4 549 194	4 376 049
Net Position, June 30	4 376 049	4 074 459

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2013

FUND FINANCIAL STATEMENTS

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

Governmental Fund Types – These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the Township performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Township are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These include the Fire Fund, Police Fund and the Library Fund. Voters have approved millage rates for some of these funds to help carry out their operations.

Fiduciary Fund Types – These funds account for assets held by the Township as trustee or agent for individuals, private organization, and other units of government. These funds are as follows:

The Current Tax Collection Fund and Agency Fund: These funds are used to account for assets held as an agent or in trust for others.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Over the past year, the Township has contributed \$2.00 per person based on our population to help support the Lapeer County Ambulance Authority.

Dryden Township is continuing to make road improvements throughout the Township. The Township spent \$200,000 for various road projects during the fiscal year ended June 30, 2013.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Highways and streets which incurred expenses of \$257,416.97, Fire protection, which incurred expenses of \$157,186.58, Police protection incurring expenses of \$416,462.66 and library incurred expenses of \$162,332.23. Fire protection, police protection and library are supported mainly by special millage that is voter approved.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of June 30, 2013, the Township had \$2,816,717.55 invested in capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in roads within the Township. The roads are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Lapeer County Road Commission (along with the responsibility to maintain them).

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2013.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2013

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The continued support of the ambulance authority will continue to impact the Township's resources, as well as maintenance of the paved section of Mill Road north of the Village. The Township Board also plans to invest in property for future growth. Because of the state reductions that affect local services, the Township needs to continue to watch its budget very closely.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investor's with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office, 4849 Dryden Road, Dryden. Phone 810-796-2248.

DRYDEN TOWNSHIP BOARD

Tina M. Papineau, Supervisor
Bonnie J. Rumley, Clerk
Carol Stone, Treasurer

Sally Haynes, Trustee
Geary Priehs, Trustee

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	3 026 144 78
Investments	32 719 99
Petty cash	<u>300 00</u>
Total Current Assets	<u>3 059 164 77</u>
NON-CURRENT ASSETS:	
Capital Assets	2 816 717 55
Less: Accumulated Depreciation	<u>(1 721 145 83)</u>
Total Non-current Assets	<u>1 095 571 72</u>
TOTAL ASSETS	<u><u>4 154 736 49</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>80 277 22</u>
Total Current Liabilities	<u>80 277 22</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	<u>80 277 22</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	1 095 571 72
Unrestricted	<u>2 978 887 55</u>
Total Net Position	<u>4 074 459 27</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>4 154 736 49</u></u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	100 203 26	-	(100 203 26)
General government	357 561 07	53 265 78	(304 295 29)
Public safety	682 119 62	-	(682 119 62)
Public works	257 846 97	-	(257 846 97)
Culture and recreation	<u>169 233 17</u>	<u>-</u>	<u>(169 233 17)</u>
Total Governmental Activities	<u><u>1 566 964 09</u></u>	<u><u>53 268 78</u></u>	<u><u>(1 513 698 31)</u></u>
General Revenues:			
Property taxes			834 980 03
State revenue sharing			282 100 66
Penal fines			17 734 08
Interest			14 135 53
Miscellaneous			<u>63 158 43</u>
Total General Revenues			<u><u>1 212 108 73</u></u>
Change in net position			(301 589 58)
Net position, beginning of year			<u><u>4 376 048 85</u></u>
Net Position, End of Year			<u><u><u>4 074 459 27</u></u></u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2013

<u>Assets</u>	General	Fire	Police	Library
Cash in bank	1 072 971 67	578 673 71	726 978 06	647 389 95
Investments	-	32 719 99	-	-
Petty cash	100 00	-	100 00	100 00
Due from other funds	131 39	-	-	-
Total Assets	1 073 203 06	611 393 70	727 078 06	647 489 95
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	71 389 26	845 35	2 821 06	5 221 55
Total liabilities	71 389 26	845 35	2 821 06	5 221 55
Fund equity:				
Fund balances:				
Restricted	-	610 548 35	724 257 00	642 268 40
Unassigned	1 001 813 80	-	-	-
Total fund equity	1 001 813 80	610 548 35	724 257 00	642 268 40
Total Liabilities and Fund Equity	1 073 203 06	611 393 70	727 078 06	647 489 95

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

Total

3 026 013 39
32 719 99
300 00
131 39

3 059 164 77

80 277 22

80 277 22

1 977 073 75

1 001 813 80

2 978 887 55

3 059 164 77

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 978 887 55
Amounts reported for governmental activities in the statement of net position are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 816 717 55
Accumulated depreciation	<u>(1 721 145 83)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>4 074 459 27</u></u>

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
June 30, 2013

	General	Fire	Police	Library
Revenues:				
Property taxes	244 008 08	178 165 73	347 876 07	64 930 15
State revenue sharing	277 842 00	-	2 000 90	2 257 76
Charges for services – PTAF	53 265 78	-	-	-
Penal fines	-	-	-	17 734 08
Interest	4 183 97	767 37	4 106 21	5 077 98
Miscellaneous	34 297 91	4 818 43	16 607 44	7 434 65
Total revenues	613 597 74	183 751 53	370 590 62	97 434 62
Expenditures:				
Legislative:				
Township Board	100 203 26	-	-	-
General government:				
Supervisor	43 112 81	-	-	-
Elections	16 109 36	-	-	-
Attorney	17 451 38	-	-	-
Assessor	46 105 86	-	-	-
Clerk	70 270 64	-	-	-
Board of Review	2 177 89	-	-	-
Treasurer	73 218 41	-	-	-
Building and grounds	43 472 74	-	-	-
Cemetery	7 995 00	-	-	-
Public safety:				
Police protection	-	-	413 117 04	-
Fire protection	-	156 076 59	-	-
Ambulance	9 536 00	-	-	-
Protective inspection	536 80	-	-	-
Planning Commission	4 147 11	-	-	-
Appeals Board	388 51	-	-	-
Public works:				
Highways and streets	257 416 97	-	-	-
Drains	430 00	-	-	-
Culture and recreation:				
Library	-	-	-	162 332 23
Capital outlay	1 179 00	1 109 99	3 345 62	-
Total expenditures	693 751 74	157 186 58	416 462 66	162 332 23
Excess (deficiency) of revenues over expenditures	(80 154 00)	26 564 95	(45 872 04)	(64 897 61)
Fund balances, July 1, 2012	1 081 967 80	583 983 40	770 129 04	707 166 01
Fund Balances, June 30, 2013	1 001 813 80	610 548 35	724 257 00	642 268 40

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

Total

834 980 03
282 100 66
53 265 78
17 734 08
14 135 53
63 158 43

1 265 374 51

100 203 26

43 112 81
16 109 36
17 451 38
46 105 86
70 270 64
2 177 89
73 218 41
43 472 74
7 995 00

413 117 04
156 076 59
9 536 00
536 80
4 147 11
388 51

257 416 97
430 00

162 332 23
5 634 61

1 429 733 21

(164 358 70)

3 143 246 25

2 978 887 55

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2013

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (164 358 70)

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

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

Depreciation Expense	(142 865 49)
Capital Outlay	<u>5 634 61</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (301 589 58)

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Dryden, Lapeer County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Dryden. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

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. The Township 2012 tax roll millage rate was 4.6675 mills, and the taxable value was \$180,828,072.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straightline basis over the following estimated useful lives:

Buildings, additions and improvements	3-40 years
Furniture and equipment	3-40 years

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3 – Deposits and Investments

The Township Board has designated eleven banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>3 058 905 72</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	2 477 970 45
Uninsured and Uncollateralized	<u>722 224 09</u>
Total Deposits	<u>3 200 194 54</u>

The Township had the following investments at June 30, 2013:

Nonrisk-Categorized:	
Financial Institution Pooled Funds	<u>32 719 99</u>
Total	<u>32 719 99</u>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>
Land and improvements	127 227 04	-	-	127 227 04
Buildings and improvements	1 192 560 00	-	-	1 192 560 00
Equipment	<u>1 494 118 90</u>	<u>5 634 61</u>	<u>(2 823 00)</u>	<u>1 496 930 51</u>
Total	2 813 905 94	5 634 61	(2 823 00)	2 816 717 55
Accumulated Depreciation	<u>(1 581 103 34)</u>	<u>(142 865 49)</u>	<u>2 823 00</u>	<u>(1 721 145 83)</u>
Net Capital Assets	<u>1 232 802 60</u>	<u>(137 230 88)</u>	<u>-</u>	<u>1 095 571 72</u>

Note 5 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>131 31</u>	Current Tax Collection	<u>131 31</u>
Total	<u>131 31</u>	Total	<u>131 31</u>

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended June 30, 2013, was \$53,769.57.

Note 7 – Deferred Compensation Plan

The Township of Dryden offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, (a custodial account) as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Township of Dryden for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Dryden does not issue building permits. Building permits are issued by the County of Lapeer.

Note 10 – GASB 54 Consolidation

During the year ended June 30, 2013, the Drug Forfeiture Fund was consolidated into the Police Fund in order to provide clearer fund balance classifications and to clarify existing governmental fund definitions.

	<u>Police Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Total Combined Police Fund</u>
Revenues	368 275 27	2 315 35	370 590 62
Expenses	413 110 18	3 352 48	416 462 66
Assets	725 353 11	1 724 95	727 078 06
Liabilities	2 821 06	-	2 821 06
Fund balance	722 532 05	1 724 95	724 257 00

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	238 000 00	238 000 00	244 008 08	6 008 08
State revenue sharing	255 500 00	255 500 00	277 842 00	22 342 00
Charges for services – PTAF	47 000 00	47 000 00	53 265 78	6 265 78
Interest	4 000 00	4 000 00	4 183 97	183 97
Miscellaneous	62 000 00	62 000 00	34 297 91	(27 702 09)
Total revenues	606 500 00	606 500 00	613 597 74	7 097 74
Expenditures:				
Legislative:				
Township Board	115 857 00	114 657 00	100 203 26	(14 453 74)
General government:				
Supervisor	45 711 00	45 711 00	43 112 81	(2 598 19)
Elections	13 750 00	16 250 00	16 109 36	(140 64)
Attorney	20 000 00	20 000 00	17 451 38	(2 548 62)
Assessor	46 940 00	46 940 00	46 105 86	(834 14)
Clerk	77 652 00	77 652 00	70 270 64	(7 381 36)
Board of Review	3 560 00	3 560 00	2 177 89	(1 382 11)
Treasurer	78 138 00	78 138 00	73 218 41	(4 919 59)
Building and grounds	75 870 00	75 870 00	43 472 74	(32 397 26)
Cemetery	10 000 00	10 000 00	7 995 00	(2 005 00)
Public safety:				
Ambulance	10 000 00	10 000 00	9 536 00	(464 00)
Protective inspection	4 200 00	1 700 00	536 80	(1 163 20)
Planning Commission	20 350 00	20 350 00	4 147 11	(16 202 89)
Appeals Board	4 355 00	4 355 00	388 51	(3 966 49)
Public works:				
Highways and streets	259 400 00	259 400 00	257 416 97	(1 983 03)
Drains	24 500 00	24 500 00	430 00	(24 070 00)
Capital outlay	-	1 200 00	1 179 00	(21 00)
Total expenditures	810 283 00	810 283 00	693 751 74	(116 531 26)
Excess (deficiency) of revenues over expenditures	(203 783 00)	(203 783 00)	(80 154 00)	123 629 00
Fund balance, July 1, 2012	203 783 00	203 783 00	1 081 967 80	878 184 80
Fund Balance, June 30, 2013	-	-	1 001 813 80	1 001 813 80

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	178 000 00	178 000 00	178 165 73	165 73
Interest	1 000 00	1 000 00	767 37	(232 63)
Miscellaneous	<u>1 000 00</u>	<u>1 000 00</u>	<u>4 818 43</u>	<u>3 818 43</u>
Total revenues	<u>180 000 00</u>	<u>180 000 00</u>	<u>183 751 53</u>	<u>3 751 53</u>
Expenditures:				
Public safety:				
Fire protection	244 700 00	243 500 00	156 076 59	(87 423 41)
Capital outlay	<u>-</u>	<u>1 200 00</u>	<u>1 109 99</u>	<u>(90 01)</u>
Total expenditures	<u>244 700 00</u>	<u>244 700 00</u>	<u>157 186 58</u>	<u>(87 513 42)</u>
Excess (deficiency) of revenues over expenditures	(64 700 00)	(64 700 00)	26 564 95	91 264 95
Fund balance, July 1, 2012	<u>64 700 00</u>	<u>64 700 00</u>	<u>583 983 40</u>	<u>519 283 40</u>
Fund Balance, June 30, 2013	<u>-</u>	<u>-</u>	<u>610 548 35</u>	<u>610 548 35</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND
Year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	348 216 00	348 216 00	347 876 07	(339 93)
State revenue sharing	2 012 00	2 012 00	2 000 90	(11 10)
Interest	3 705 00	3 705 00	4 106 21	406 21
Miscellaneous	<u>19 620 00</u>	<u>21 820 00</u>	<u>16 607 44</u>	<u>(5 212 56)</u>
Total revenues	<u>373 553 00</u>	<u>375 753 00</u>	<u>370 590 62</u>	<u>(5 157 38)</u>
Expenditures:				
Public safety:				
Police protection	424 048 00	422 701 00	413 117 04	(9 583 96)
Capital outlay	<u>-</u>	<u>4 000 00</u>	<u>3 345 62</u>	<u>(654 38)</u>
Total expenditures	<u>424 048 00</u>	<u>426 701 00</u>	<u>416 642 66</u>	<u>(10 238 34)</u>
Excess (deficiency) of revenues over expenditures	(50 495 00)	(50 948 00)	(45 872 04)	5 075 96
Fund balance, July 1, 2012	<u>52 700 00</u>	<u>52 700 00</u>	<u>770 129 04</u>	<u>717 429 04</u>
Fund Balance, June 30, 2013	<u><u>2 205 00</u></u>	<u><u>1 752 00</u></u>	<u><u>724 257 00</u></u>	<u><u>722 510 00</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	65 000 00	65 000 00	64 930 15	(69 85)
State revenue sharing	1 200 00	1 200 00	2 257 76	1 057 76
Penal fines	16 000 00	16 000 00	17 734 08	1 734 08
Interest	3 000 00	3 000 00	5 077 98	2 077 98
Miscellaneous	<u>5 000 00</u>	<u>5 000 00</u>	<u>7 434 65</u>	<u>2 434 65</u>
Total revenues	<u>90 200 00</u>	<u>90 200 00</u>	<u>97 434 62</u>	<u>7 234 62</u>
Expenditures:				
Culture and recreation:				
Library	<u>228 700 00</u>	<u>228 700 00</u>	<u>162 332 23</u>	<u>(66 367 77)</u>
Total expenditures	<u>228 700 00</u>	<u>228 700 00</u>	<u>162 332 23</u>	<u>(66 367 77)</u>
Excess (deficiency) of revenues over expenditures	(138 500 00)	(138 500 00)	(64 897 61)	73 602 39
Fund balance, July 1, 2012	<u>138 500 00</u>	<u>138 500 00</u>	<u>707 166 01</u>	<u>568 666 01</u>
Fund Balance, June 30, 2013	<u>-</u>	<u>-</u>	<u>642 268 40</u>	<u>642 268 40</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2013

	<u>Balance</u> <u>7/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/13</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>12 62</u>	<u>4 513 357 79</u>	<u>4 513 223 15</u>	<u>147 26</u>
<u>Liabilities</u>				
Due to other funds	12 62	827 300 10	827 181 41	131 31
Due to others	<u>-</u>	<u>3 686 057 69</u>	<u>3 686 041 74</u>	<u>15 95</u>
Total Liabilities	<u>12 62</u>	<u>4 513 357 79</u>	<u>4 513 223 15</u>	<u>147 26</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>1 000 00</u>	<u>942 13</u>	<u>1 917 05</u>	<u>25 08</u>
<u>Liabilities</u>				
Deposits payable	1 000 00	575 00	1 550 00	25 00
Due to other funds	<u>-</u>	<u>367 13</u>	<u>367 05</u>	<u>08</u>
Total Liabilities	<u>1 000 00</u>	<u>942 13</u>	<u>1 917 05</u>	<u>25 08</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank and Investments	<u>1 012 62</u>	<u>4 514 299 92</u>	<u>4 515 140 20</u>	<u>172 34</u>
<u>Liabilities</u>				
Deposits payable	1 000 00	575 00	1 550 00	25 00
Due to other funds	12 62	827 667 23	827 548 46	131 39
Due to others	<u>-</u>	<u>3 686 057 69</u>	<u>3 686 041 74</u>	<u>15 95</u>
Total Liabilities	<u>1 012 62</u>	<u>4 514 299 92</u>	<u>4 515 140 20</u>	<u>172 34</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended June 30, 2013

Township Board:	
Salaries	12 665 35
Payroll taxes	352 64
Fringe benefits	4 739 82
Office supplies	13 110 85
Cleanup	2 803 00
Recycle	16 636 85
Audit	1 500 00
Memberships and dues	4 116 68
Telephone	3 742 79
Printing and publishing	1 336 61
Insurance	30 032 20
Miscellaneous	9 166 47
	<u>100 203 26</u>
Supervisor:	
Salary	28 666 32
Payroll taxes	1 944 61
Fringe benefits	6 714 02
Insurance	4 190 34
Miscellaneous	1 597 52
	<u>43 112 81</u>
Elections:	
Wages	7 138 12
Payroll taxes	53 49
Office supplies	3 934 69
Miscellaneous	4 983 06
	<u>16 109 36</u>
Attorney	
	<u>17 451 38</u>
Assessor:	
Wages	27 000 00
Payroll taxes	2 065 44
Fringe benefits	11 339 02
Office supplies	5 640 35
Miscellaneous	61 05
	<u>46 105 86</u>
Clerk:	
Salary	38 622 00
Salary – deputy	9 461 47
Payroll taxes	4 065 14
Fringe benefits	9 720 98
Insurance	6 565 74
Education	1 427 13
Miscellaneous	408 18
	<u>70 270 64</u>
Board of Review:	
Wages	2 055 30
Payroll taxes	44 17
Miscellaneous	78 42
	<u>2 177 89</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2013

Treasurer:	
Salary	33 448 88
Salary – deputy	11 117 82
Payroll taxes	3 576 72
Insurance	5 963 79
Fringe benefits	8 412 27
Office supplies	7 215 39
Education	2 320 77
Miscellaneous	1 162 77
	<u>73 218 41</u>
Building and grounds:	
Wages	3 766 72
Payroll taxes	54 60
Contracted services	5 050 00
Utilities	8 205 39
Repairs and maintenance	24 829 74
Supplies	1 425 09
Miscellaneous	141 20
	<u>43 472 74</u>
Cemetery	<u>7 995 00</u>
Ambulance	<u>9 536 00</u>
Protective Inspection	<u>536 80</u>
Planning Commission:	
Wages	1 687 86
Payroll taxes	59 27
Supplies	34 76
Contracted services	992 50
Miscellaneous	1 372 72
	<u>4 147 11</u>
Appeals Board:	
Wages	369 81
Payroll taxes	10 75
Miscellaneous	7 95
	<u>388 51</u>
Highways and streets:	
Repairs and maintenance	<u>257 416 97</u>
Drains	<u>430 00</u>
Capital outlay	<u>1 179 00</u>
Total Expenditures	<u>693 751 74</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2013

Fire protection:	
Salaries and wages	89 115 33
Payroll taxes	2 920 08
Fringe benefits	3 872 13
Supplies	13 873 45
Repairs and maintenance	2 709 79
Memberships and dues	724 00
Physicals	510 00
Travel	777 14
Insurance	17 575 78
Utilities	9 519 81
Training	5 350 99
Miscellaneous	9 128 09
Capital outlay	<u>1 109 99</u>
Total Expenditures	<u><u>157 186 58</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2013

Police protection:	
Salaries and wages	261 756 86
Fringe benefits	19 370 92
Payroll taxes	16 812 42
Supplies	24 148 71
Repairs and maintenance	11 319 86
Telephone	3 788 79
Utilities	4 516 12
Insurance	59 801 53
Miscellaneous	11 601 83
Capital outlay	<u>3 345 62</u>
Total Expenditures	<u><u>416 462 66</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2013

Library:	
Salaries and wages	79 233 59
Payroll taxes	6 061 50
Supplies	12 555 87
Repairs and maintenance	3 206 58
Memberships and dues	3 011 88
Contracted services	6 990 59
Travel	281 65
Insurance	5 219 40
Utilities	8 835 48
Audio visual	4 927 00
Books and periodicals	25 115 04
Miscellaneous	<u>6 893 65</u>
Total Expenditures	<u><u>162 332 23</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 27, 2013

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the financial statements of the Township of Dryden for the year ended June 30, 2013. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Dryden in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Dryden
Lapeer County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board
Township of Dryden
Lapeer County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements for the year ended June 30, 2013.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants