

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

October 21, 2014

To the Township Board
Township of Dryden
Lapeer County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, of the Township of Dryden, Lapeer County, Michigan, as of and for the year ended June 30, 2014, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Dryden, Lapeer County, Michigan, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2014

The Management's Discussion and Analysis report of the Township of Dryden covers the Township's financial performance during the year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Position at June 30, 2014, totaled \$3,789,841.08 of this total, \$982,875.00 represents capital assets net of depreciation.

Overall revenues were \$1,290,062.14.

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, 2014

	<u>Total</u> Governmental Activities 2014	<u>Total</u> Governmental Activities 2013
Current Assets	2 806 966	3 059 165
Capital Assets	<u>982 875</u>	<u>1 095 571</u>
Total Assets	<u>3 789 841</u>	<u>4 154 736</u>
Current Liabilities	-	80 277
Non-current liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>80 277</u>
Net Position:		
Invested in Capital		
Assets	982 875	1 095 571
Unrestricted	<u>2 806 966</u>	<u>2 978 888</u>
Total Net Position	<u><u>3 789 841</u></u>	<u><u>4 074 459</u></u>

	<u>Total</u> Governmental Activities 2014	<u>Total</u> Governmental Activities 2013
Program Revenues:		
Fees and Charges for Services	54 465	53 266
General Revenues:		
Property Taxes	841 882	834 980
State Revenue Sharing	295 031	282 101
Penal Fines	16 579	17 734
Interest	9 429	14 135
Miscellaneous	<u>72 676</u>	<u>63 158</u>
Total Revenues	<u>1 290 062</u>	<u>1 265 374</u>
Program Expenses:		
Legislative	85 218	100 203
General Government	284 490	357 561
Public Safety	721 517	682 120
Public Works	270 372	257 847
Recreation and Culture	164 145	169 233
Other	<u>48 938</u>	<u>-</u>
Total Expenses	<u>1 574 680</u>	<u>1 566 964</u>
Change in Net Position	(284 618)	(301 590)
Net Position, July 1	<u>4 074 459</u>	<u>4 376 049</u>
Net Position, June 30	<u><u>3 789 841</u></u>	<u><u>4 074 459</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014

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 \$251,396.38 for various road projects during the fiscal year ended June 30, 2014.

Refer to Page 4 for a summary of the Township's financial activity and change in net position.

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 \$251,396.38, Fire protection, which incurred expenses of \$181,143.22, Police protection incurring expenses of \$448,217.16 and library incurred expenses of \$159,277.33. Fire protection, police protection and library are supported mainly by special millages that are voter approved.

BUDGETARY HIGHLIGHTS

The Township's budget was compiled and adopted prior to the beginning of the fiscal year. Amendments were made during the year to bring budgeted items closer to economic reality. Revenues were \$19,450.98 over budget due in part to miscellaneous revenue being higher than anticipated. Expenses were \$232,203.10 under budget due to expenditures for Township Board falling short of expectations.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

As of June 30, 2014, the Township had \$2,812,769.12 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).

Refer to Note 4 for a summary of the Township's capital asset activity.

The Township of Dryden had no long-term debt activity during the fiscal year ended June 30, 2014.

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

Rex Haynes, Trustee
Geary Priehs, Trustee

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	2 806 666 08
Petty cash	300 00
Total Current Assets	2 806 966 08
NON-CURRENT ASSETS:	
Capital Assets	2 812 769 12
Less: Accumulated Depreciation	(1 829 894 12)
Total Non-current Assets	982 875 00
TOTAL ASSETS	3 789 841 08
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Current Liabilities	-
NON-CURRENT LIABILITIES	-
Total Non-Current Liabilities	-
Total Liabilities	-
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	982 875 00
Unrestricted	2 806 966 08
Total Net Position	3 789 841 08
TOTAL LIABILITIES AND NET POSITION	3 789 841 08

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, 2014

	<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	85 217 91	-	(85 217 91)
General government	284 490 24	54 465 26	(230 024 98)
Public safety	721 516 84	-	(721 516 84)
Public works	270 371 59	-	(270 371 59)
Culture and recreation	164 145 47	-	(164 145 47)
Other	<u>48 938 28</u>	<u>-</u>	<u>(48 938 28)</u>
Total Governmental Activities	<u><u>1 574 680 33</u></u>	<u><u>54 465 26</u></u>	<u><u>(1 520 215 07)</u></u>
General Revenues:			
Property taxes			841 881 74
State revenue sharing			295 031 00
Penal fines			16 578 62
Interest			9 429 06
Miscellaneous			<u>72 676 46</u>
Total General Revenues			<u>1 235 596 88</u>
Change in net position			(284 618 19)
Net position, beginning of year			<u>4 074 459 27</u>
Net Position, End of Year			<u><u>3 789 841 08</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, 2014

<u>Assets</u>	General	Fire	Police	Library
Cash in bank	965 178 65	611 749 68	654 297 22	575 300 30
Petty cash	100 00	-	100 00	100 00
Due from other funds	140 23	-	-	-
Total Assets	965 418 88	611 749 68	654 397 22	575 400 30
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Restricted	-	611 749 68	654 397 22	575 400 30
Unassigned	965 418 88	-	-	-
Total fund equity	965 418 88	611 749 68	654 397 22	575 400 30
Total Liabilities and Fund Equity	965 418 88	611 749 68	654 397 22	575 400 30

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

Total

2 806 525 85
300 00
140 23

2 806 966 08

-

-

1 841 547 20
965 418 88
2 806 966 08

2 806 966 08

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	2 806 966 08
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	2 812 769 12
Accumulated depreciation	<u>(1 829 894 12)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u>3 789 841 08</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, 2014

	General	Fire	Police	Library
Revenues:				
Property taxes	241 502 36	178 451 18	356 894 31	65 033 89
State revenue sharing	290 426 68	-	2 020 70	2 583 62
Charges for services – PTAF	54 465 26	-	-	-
Penal fines	-	-	-	16 578 62
Interest	5 866 85	857 22	1 315 94	1 389 05
Miscellaneous	44 689 83	3 036 15	18 126 43	6 824 05
Total revenues	636 950 98	182 344 55	378 357 38	92 409 23
Expenditures:				
Legislative:				
Township Board	85 217 91	-	-	-
General government:				
Supervisor	37 303 13	-	-	-
Elections	2 166 84	-	-	-
Attorney	8 832 19	-	-	-
Assessor	39 369 25	-	-	-
Clerk	58 107 13	-	-	-
Board of Review	1 837 38	-	-	-
Treasurer	60 921 45	-	-	-
Building and grounds	32 518 87	-	-	-
Cemetery	6 250 00	-	-	-
Public safety:				
Police protection	-	-	421 433 41	-
Fire protection	-	181 143 22	-	-
Ambulance	9 536 00	-	-	-
Protective inspection	1 738 25	-	-	-
Planning Commission	8 321 04	-	-	-
Appeals Board	1 916 59	-	-	-
Public works:				
Highways and streets	251 396 38	-	-	-
Drains	18 975 21	-	-	-
Culture and recreation:				
Library	-	-	-	156 736 33
Other:				
Payroll taxes	12 605 32	-	-	-
Pension	36 332 96	-	-	-
Capital outlay	-	-	26 783 75	2 541 00
Total expenditures	673 345 90	181 143 22	448 217 16	159 277 33
Excess (deficiency) of revenues over expenditures	(36 394 92)	1 201 33	(69 859 78)	(66 868 10)
Fund balances, July 1, 2013	1 001 813 80	610 548 35	724 257 00	642 268 40
Fund Balances, June 30, 2014	965 418 88	611 749 68	654 397 22	575 400 30

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

Total

841 881 74
295 031 00
54 465 26
16 578 62
9 429 06
72 676 46

1 290 062 14

85 217 91

37 303 13
2 166 84
8 832 19
39 369 25
58 107 13
1 837 38
60 921 45
32 518 87
6 250 00

421 433 41
181 143 22
9 536 00
1 738 25
8 321 04
1 916 59

251 396 38
18 975 21

156 736 33

12 605 32
36 332 96
29 324 75

1 461 983 61

(171 921 47)

2 978 887 55

2 806 966 08

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, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (171 921 47)

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	(142 021 47)
Capital Outlay	<u>29 324 75</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (284 618 19)

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

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended June 30, 2014

	<u>Balance</u> <u>7/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/14</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	147 26	4 671 609 22	4 671 616 33	140 15
<u>Liabilities</u>				
Due to other funds	131 31	840 773 56	840 764 72	140 15
Due to others	15 95	3 830 835 66	3 830 851 61	-
Total Liabilities	147 26	4 671 609 22	4 671 616 33	140 15
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank and Investments	25 08	585 00	60 00	550 08
<u>Liabilities</u>				
Deposits payable	25 00	575 00	50 00	550 00
Due to other funds	08	10 00	10 00	08
Total Liabilities	25 08	585 00	60 00	550 08
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank and Investments	172 34	4 672 194 22	4 671 676 33	690 23
<u>Liabilities</u>				
Deposits payable	25 00	575 00	50 00	550 00
Due to other funds	131 39	840 783 56	840 774 72	140 23
Due to others	15 95	3 830 835 66	3 830 851 61	-
Total Liabilities	172 34	4 672 194 22	4 671 676 33	690 23

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 position is 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, 2014

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 Position 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 2013 tax roll millage rate was 4.7149 mills, and the taxable value was \$180,769,240.00.

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, 2014

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, 2014

Note 3 – Deposits and Investments

The Township Board has designated ten 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>2 807 216 08</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	1 624 936 70
Uninsured and Uncollateralized	<u>1 383 671 99</u>
Total Deposits	<u>3 008 608 69</u>

The Township did not have any investments at June 30, 2014

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, 2014

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:

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Governmental Activities:				
Capital assets not being depreciated:				
Land	30 550 00	-	-	30 550 00
Subtotal	30 550 00	-	-	30 550 00
Capital assets being depreciated:				
Land improvements	105 432 69	-	-	105 432 69
Buildings	1 199 180 00	-	-	1 199 180 00
Equipment	1 481 554 86	29 324 75	(33 273 18)	1 477 606 43
Subtotal	2 786 167 55	29 324 75	(33 273 18)	2 782 219 12
Total	2 816 717 55	29 324 75	(33 273 18)	2 812 769 12
Accumulated Depreciation:				
Land improvements	(67 264 64)	(3 999 00)	-	(71 263 64)
Buildings	(578 927 00)	(30 568 00)	-	(609 495 00)
Equipment	(1 074 954 19)	(107 454 47)	33 273 18	(1 149 135 48)
Total	(1 721 145 83)	(142 021 47)	33 273 18	(1 829 894 12)
Net Capital Assets	1 095 571 72	(112 696 72)	-	982 875 00

Depreciation expense was charged to the following activities:

General government	37 184 00
Public safety	97 428 33
Culture and recreation	7 409 14
	142 021 47

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	140 23	Agency Current Tax Collection	08 140 15
Total	140 23	Total	140 23

The above amounts reflect property taxes and interest that were collected but not paid to the General Fund during the year.

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014, was \$58,143.33.

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.

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, 2014, 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	378 356 52	86	378 357 38
Expenses	448 217 16	-	448 217 16
Assets	652 671 41	1 725 81	654 397 22
Liabilities	-	-	-
Fund balance	652 671 41	1 725 81	654 397 22

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	252 000 00	252 000 00	241 502 36	(10 497 64)
State revenue sharing	292 500 00	292 500 00	290 426 68	(2 073 32)
Charges for services – PTAF	44 000 00	44 000 00	54 465 26	10 465 26
Interest	4 000 00	4 000 00	5 866 85	1 866 85
Miscellaneous	25 000 00	25 000 00	44 689 83	19 689 83
Total revenues	617 500 00	617 500 00	636 950 98	19 450 98
Expenditures:				
Legislative:				
Township Board	175 290 00	175 290 00	85 217 91	(90 072 09)
General government:				
Supervisor	37 634 00	37 634 00	37 303 13	(330 87)
Elections	18 600 00	18 600 00	2 166 84	(16 433 16)
Attorney	29 500 00	29 500 00	8 832 19	(20 667 81)
Assessor	41 725 00	41 725 00	39 369 25	(2 355 75)
Clerk	64 794 00	64 794 00	58 107 13	(6 686 87)
Board of Review	3 490 00	3 490 00	1 837 38	(1 652 62)
Treasurer	67 666 00	67 666 00	60 921 45	(6 744 55)
Building and grounds	86 700 00	86 700 00	32 518 87	(54 181 13)
Cemetery	10 000 00	10 000 00	6 250 00	(3 750 00)
Public safety:				
Ambulance	15 000 00	15 000 00	9 536 00	(5 464 00)
Protective inspection	4 200 00	4 200 00	1 738 25	(2 461 75)
Planning Commission	20 400 00	20 400 00	8 321 04	(12 078 96)
Appeals Board	4 355 00	4 355 00	1 916 59	(2 438 41)
Public works:				
Highways and streets	251 400 00	251 400 00	251 396 38	(3 62)
Drains	24 000 00	24 000 00	18 975 21	(5 024 79)
Other:				
Payroll taxes	13 640 00	13 640 00	12 605 32	(1 034 68)
Pension	37 155 00	37 155 00	36 332 96	(822 04)
Total expenditures	905 549 00	905 549 00	673 345 90	(232 203 10)
Excess (deficiency) of revenues over expenditures	(288 049 00)	(288 049 00)	(36 394 92)	251 654 08
Fund balance, July 1, 2013	288 049 00	288 049 00	1 001 813 80	713 764 80
Fund Balance, June 30, 2014	-	-	965 418 88	965 418 88

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	180 000 00	180 000 00	178 451 18	(1 548 82)
Interest	700 00	700 00	857 22	157 22
Miscellaneous	<u>1 800 00</u>	<u>1 800 00</u>	<u>3 036 15</u>	<u>1 236 15</u>
Total revenues	<u>182 500 00</u>	<u>182 500 00</u>	<u>182 344 55</u>	<u>(155 45)</u>
Expenditures:				
Public safety:				
Fire protection	209 500 00	209 500 00	181 143 22	(28 356 78)
Capital outlay	<u>66 000 00</u>	<u>66 000 00</u>	<u>-</u>	<u>(66 000 00)</u>
Total expenditures	<u>275 500 00</u>	<u>275 500 00</u>	<u>181 143 22</u>	<u>(94 356 78)</u>
Excess (deficiency) of revenues over expenditures	(93 000 00)	(93 000 00)	1 201 33	94 201 33
Fund balance, July 1, 2013	<u>93 000 00</u>	<u>93 000 00</u>	<u>610 548 35</u>	<u>517 548 35</u>
Fund Balance, June 30, 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>611 749 68</u></u>	<u><u>611 749 68</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – POLICE FUND
Year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	352 135 00	352 135 00	356 894 31	4 759 31
State revenue sharing	2 012 00	2 012 00	2 020 70	8 70
Interest	4 000 00	4 000 00	1 315 94	(2 684 06)
Miscellaneous	<u>18 606 00</u>	<u>18 606 00</u>	<u>18 126 43</u>	<u>(479 57)</u>
Total revenues	<u>376 753 00</u>	<u>376 753 00</u>	<u>378 357 38</u>	<u>1 604 38</u>
Expenditures:				
Public safety:				
Police protection	438 757 00	438 757 00	421 433 41	(17 323 59)
Capital outlay	<u>26 996 00</u>	<u>26 996 00</u>	<u>26 783 75</u>	<u>(212 25)</u>
Total expenditures	<u>465 753 00</u>	<u>465 753 00</u>	<u>448 217 16</u>	<u>(17 535 84)</u>
Excess (deficiency) of revenues over expenditures	(89 000 00)	(89 000 00)	(69 859 78)	19 140 22
Fund balance, July 1, 2013	<u>89 000 00</u>	<u>89 000 00</u>	<u>724 257 00</u>	<u>635 257 00</u>
Fund Balance, June 30, 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>654 397 22</u></u>	<u><u>654 397 22</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	66 000 00	66 000 00	65 033 89	(966 11)
State revenue sharing	1 200 00	1 200 00	2 583 62	1 383 62
Penal fines	16 000 00	16 000 00	16 578 62	578 62
Interest	5 000 00	5 000 00	1 389 05	(3 610 95)
Miscellaneous	<u>9 000 00</u>	<u>9 000 00</u>	<u>6 824 05</u>	<u>(2 175 95)</u>
Total revenues	<u>97 200 00</u>	<u>97 200 00</u>	<u>92 409 23</u>	<u>(4 790 77)</u>
Expenditures:				
Culture and recreation:				
Library	216 200 00	216 200 00	156 736 33	(59 463 67)
Capital outlay	<u>4 000 00</u>	<u>4 000 00</u>	<u>2 541 00</u>	<u>(1 459 00)</u>
Total expenditures	<u>220 200 00</u>	<u>220 200 00</u>	<u>159 277 33</u>	<u>(60 922 67)</u>
Excess (deficiency) of revenues over expenditures	(123 000 00)	(123 000 00)	(66 868 10)	56 131 90
Fund balance, July 1, 2013	<u>123 000 00</u>	<u>123 000 00</u>	<u>642 268 40</u>	<u>519 268 40</u>
Fund Balance, June 30, 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>575 400 30</u></u>	<u><u>575 400 30</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended June 30, 2014

Township Board:	
Salaries	12 254 28
Office supplies	18 001 86
Cleanup	2 848 00
Recycle	13 264 47
Audit	2 000 00
Memberships and dues	4 088 42
Telephone	4 058 57
Printing and publishing	663 40
Insurance	26 378 47
Miscellaneous	1 660 44
	<u>85 217 91</u>
Supervisor:	
Salary	30 166 14
Mileage	675 95
Education	2 237 37
Insurance	4 223 67
	<u>37 303 13</u>
Elections:	
Wages	590 91
Office supplies	1 457 93
Miscellaneous	118 00
	<u>2 166 84</u>
Attorney	
	<u>8 832 19</u>
Assessor:	
Wages	27 540 00
Insurance	4 681 80
Software	5 240 00
Office supplies	1 907 45
	<u>39 369 25</u>
Clerk:	
Salary	39 393 96
Salary – deputy	10 757 66
Insurance	6 859 97
Education	1 075 38
Miscellaneous	20 16
	<u>58 107 13</u>
Board of Review:	
Wages	1 611 64
Miscellaneous	225 74
	<u>1 837 38</u>
Treasurer:	
Salary	34 155 96
Salary – deputy	12 167 19
Software	1 026 00
Insurance	6 342 50
Mileage	469 16
Office supplies	3 968 97
Education	2 771 10
Miscellaneous	20 57
	<u>60 921 45</u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2014

Building and grounds:	
Wages	3 759 00
Contracted services	4 940 00
Utilities	6 784 35
Repairs and maintenance	16 453 52
Supplies	<u>582 00</u>
	<u>32 518 87</u>
Cemetery	<u>6 250 00</u>
Ambulance	<u>9 536 00</u>
Protective Inspection	<u>1 738 25</u>
Planning Commission:	
Wages	1 183 20
Education	625 00
Supplies	107 84
Contracted services	<u>6 405 00</u>
	<u>8 321 04</u>
Appeals Board:	
Wages	1 505 60
Supplies	321 79
Education	<u>89 20</u>
	<u>1 916 59</u>
Highways and streets:	
Repairs and maintenance	<u>251 396 38</u>
Drains	<u>18 975 21</u>
Payroll taxes	<u>12 605 32</u>
Pension	<u>36 332 96</u>
Total Expenditures	<u><u>673 345 90</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

FIRE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2014

Fire protection:	
Salaries and wages	87 063 13
Payroll taxes	2 515 23
Fringe benefits	2 462 25
Supplies	31 331 35
Repairs and maintenance	10 715 69
Memberships and dues	1 677 00
Physicals	68 00
Travel	3 402 58
Insurance	19 193 83
Utilities	9 184 06
Training	6 289 50
Miscellaneous	<u>7 240 60</u>
Total Expenditures	<u><u>181 143 22</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

POLICE FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2014

Police protection:	
Salaries and wages	268 287 09
Fringe benefits	21 810 37
Payroll taxes	17 026 43
Supplies	26 260 30
Repairs and maintenance	11 117 98
Telephone	2 042 52
Utilities	4 055 08
Insurance	58 219 44
Miscellaneous	12 614 20
Capital outlay	<u>26 783 75</u>
Total Expenditures	<u><u>448 217 16</u></u>

TOWNSHIP OF DRYDEN
Lapeer County, Michigan

LIBRARY FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2014

Library:	
Salaries and wages	82 904 42
Payroll taxes	6 342 20
Supplies	2 246 33
Repairs and maintenance	3 873 10
Memberships and dues	1 758 81
Contracted services	14 005 60
Travel	1 209 07
Insurance	5 411 65
Utilities	9 437 23
Audio visual	4 702 93
Books and periodicals	21 721 76
Miscellaneous	3 123 23
Capital outlay	<u>2 541 00</u>
Total Expenditures	<u><u>159 277 33</u></u>

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 21, 2014

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, 2014. 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, 2014.

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 Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC