

GARFIELD TOWNSHIP, CLARE COUNTY

LAKE, MICHIGAN

JUNE 30, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

JUNE 30, 2014

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8-17
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	18
Combining Fund Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	20



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October 8, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Garfield Township
Clare County
Lake, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii-ix and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Garfield Township's basic financial statements. The Combining Fund Financial Statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The management of Garfield Township, Clare County, Lake, Michigan (“the Township”) offers this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Township is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Township has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of this fiscal year by \$1,712,987 (shown as *net position*). Of this amount, \$645,666 (*unrestricted net position*) may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ The Township’s net position increased by \$37,396 during the fiscal year.
- ❖ As of June 30, 2014, the governmental funds of the Township reported combined ending fund balances of \$1,134,798, of which \$228,136 was unassigned.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

The *Statement of Activities* presents the information showing how the Township’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide statements distinguish functions of the Township that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, recreation and culture, and other functions. The Township has no business-type activities.

Fund Financial Statements

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

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

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

The Township maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Transfer Station Fund, Crooked Lake Improvement Fund and the Capital Projects Fund, which are considered to be major funds. The remaining funds are considered nonmajor funds. These funds are aggregated on the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Information is presented separately for these nonmajor funds in the combining balance sheet of nonmajor governmental fund types and the combining statement of revenues, expenditures and changes in fund balances of nonmajor governmental fund types.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in both the government-wide and the fund financial statements.

Other Information

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

Government-Wide Financial Analysis

As noted earlier, net position, over time, may serve as a useful indicator of a government's financial position. In the case of Garfield Township, assets exceeded liabilities by \$1,712,987, at the close of the most recent fiscal year.

Garfield Township
Net Position as of June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current Assets	<u>\$ 1,209,274</u>
Non Current Assets	
Capital Assets	1,164,612
Less: Accumulated Depreciation	<u>(586,423)</u>
Total Non Current Assets	<u>578,189</u>
Total Assets	<u>1,787,463</u>
Liabilities	
Current Liabilities	<u>74,476</u>
Net Position	
Net Investment in Capital Assets	578,189
Restricted for Specific Purposes	489,132
Unrestricted	<u>645,666</u>
Total Net Position	<u><u>\$ 1,712,987</u></u>

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The most significant balance of net position, \$645,666, is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors. An additional portion of the Township's net position represents resources, \$489,132 that are subject to external restrictions on how they may be used.

An additional portion of the Township's net position, \$578,189, reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct those assets. The Township uses these capital assets to provide services to citizens. Accordingly, these assets are not available for future spending. At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$37,396 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

Garfield Township
Change in Net Position
for the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 29,137
Operating Grants and Contributions	252,365
General Revenues	
Taxes	262,941
State Grants	143,935
Interest Earnings	5,715
Total Revenues	<u>694,093</u>
<u>Expenses</u>	
General Government	211,102
Public Safety	157,300
Public Works	150,814
Recreation and Culture	96,555
Other Functions	40,926
Total Expenses	<u>656,697</u>
Change in Net Position	37,396
<u>NET POSITION</u> - Beginning of Year	<u>1,675,591</u>
<u>NET POSITION</u> - End of Year	<u>\$ 1,712,987</u>

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Governmental Activities

During the current fiscal year, net position for the governmental activities increases \$37,396 from the prior fiscal year for an ending balance of \$1,712,987. The most significant portion of the revenue for all governmental activities of the Township comes from property taxes, special assessments and state shared revenues. The Township levied .7214 mills for general operating purposes and 1.900 mills for fire and ambulance services. Additionally, the Township placed special assessments on the tax roll for refuse collection/disposal and lake improvements.

The Township's governmental activities expenses are dominated by the General Government, Public Safety, and Public Works expenditures. The Township spent \$211,102 on General Government during the fiscal year. Public Safety represented the next largest expense at \$157,300, followed by Public Works at \$150,814.

Financial Analysis of Government's Funds

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

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

At June 30, 2014, the Township's governmental funds reported combined fund balances of \$1,134,798, an increase of \$30,536 in comparison with the prior year. \$228,136 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that is 1) restricted for particular purposes (\$489,132), 3) committed for particular purposes (\$145,549), or 4) assigned for particular purposes (\$271,981).

General Fund – The fund balance of the Township's General Fund decreased its fund balance in this fiscal year by \$48,924, bringing the balance to \$500,117. A reduction in fund balance had been budgeted for.

Fire Fund – The fund balance of the Township's Fire Fund decreased its fund balance in this fiscal year by \$29,831, bringing the balance to \$123,016. The fund transferred \$75,700 to the Capital Projects Fund, causing the decrease in fund balance.

Transfer Station Fund – The fund balance of the Township's Transfer Station Fund increased its fund balance in this fiscal year by \$17,954, bringing the balance to \$241,368. Special assessments collected exceeded the expenditures necessary to operate the transfer station, causing the increase in fund balance.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Crooked Lake Improvement Fund – The fund balance of the Township's Crooked Lake Improvement Fund increased its fund balance in this fiscal year by \$9,819, bringing the balance to \$49,869. Special assessments collected exceeded the expenditures necessary to maintain the lake, causing the increase in fund balance.

Capital Projects Fund – The fund balance of the Township's Capital Projects Fund increased its fund balance in this fiscal year by \$76,663, bringing the balance to \$145,549. The increase can be attributed to a transfer in from the Fire Fund in the amount \$75,700, plus minimal interest income. The Township has plans to use these funds to purchase a fire truck in the future.

General Fund Budgetary Highlights

During the year, the Township made amendments to original budgeted appropriations and original revenues. The increase in revenues was due to the fact that the Township was receiving more state shared revenues than they anticipated originally. Expenses related to Buildings and Grounds (\$20,000) and Township Board (\$10,000) saw the only increases to appropriations. Recreation and Culture expenses were reduced by \$10,000.

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
REVENUES	\$ 225,805	\$ 273,805	\$ 251,138
EXPENDITURES	\$ 406,184	\$ 426,184	\$ 300,062

Expenditures related to Highways, Streets and Bridges were approximately \$100,000 less than budgeted for, causing the variance between final budgeted expenditures and actual expenditures. The Township budgeted for a significant road project that did not actually come to fruition during 2013-2014. Actual revenues were lower than what was budgeted for due to the Township receiving approximately \$20,000 less in state shared revenues than they anticipated.

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for governmental activities as of June 30, 2014, amounted to \$578,189 net of accumulated depreciation. Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Garfield Township
Capital Assets as of June 30, 2014

	<u>Governmental</u> <u>Activities</u>
Land	\$ 56,546
Land Improvements	9,965
Buildings and Improvements	303,639
Machinery and Equipment	794,462
	<hr/> 1,164,612
Less Accumulated Depreciation	<hr/> (586,423)
Net Capital Assets	<hr/> \$ 578,189 <hr/>

Major capital asset additions during the current fiscal year included the following:

- ❖ A John Deere Tractor purchased for \$18,943
- ❖ Software for the Fire Department costing \$7,880
- ❖ Other Equipment costing \$19,505

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements section of this document.

Economic Condition and Outlook

- State shared revenues and property tax valuations appear to have stabilized and the Township may experience a slight increase in state shared revenues and property taxes during fiscal year 2014-2015.
- The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the 2014-2015 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Garfield Township at P.O. Box 390, Lake, MI 48632.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 1,161,200
Due from Other Governments	47,785
Due from External Parties (Fiduciary Fund)	289
	<hr/>
Total Current Assets	1,209,274
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	56,546
Land Improvements	9,965
Buildings and Improvements	303,639
Machinery and Equipment	794,462
	<hr/>
	1,164,612
	<hr/>
Less: Accumulated Depreciation	586,423
Net Capital Assets	578,189
	<hr/>
	<hr/>
TOTAL ASSETS	1,787,463
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	74,476
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	578,189
Restricted for Lake Improvements	124,748
Restricted for Refuse Collection/Disposal	241,368
Restricted for Fire Protection	123,016
Unrestricted	645,666
	<hr/>
TOTAL NET POSITION	\$ 1,712,987
	<hr/> <hr/>

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 211,102	\$ 4,337	\$ 0	\$ 0	\$ (206,765)
Public Safety	157,300	24,800	1,989	0	(130,511)
Public Works	150,814	0	153,768	0	2,954
Recreation and Culture	96,555	0	96,608	0	53
Other Functions	40,926	0	0	0	(40,926)
Total Governmental Activities	<u>\$ 656,697</u>	<u>\$ 29,137</u>	<u>\$ 252,365</u>	<u>\$ 0</u>	<u>(375,195)</u>
<u>GENERAL REVENUES</u>					
					262,941
Taxes					143,935
State Grants					5,715
Interest Earnings					<u>412,591</u>
Total General Revenues					<u>412,591</u>
Change in Net Position					37,396
<u>NET POSITION</u> - Beginning of Year					<u>1,675,591</u>
<u>NET POSITION</u> - End of Year					<u>\$ 1,712,987</u>

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	GENERAL FUND	FIRE FUND	TRANSFER STATION FUND	CROOKED LAKE IMPROVEMENT FUND	CAPITAL PROJECTS FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>							
Cash	\$ 412,169	\$ 164,933	\$ 248,403	\$ 95,869	\$ 145,549	\$ 94,277	\$ 1,161,200
Due from Other Governments	47,785	0	0	0	0	0	47,785
Due from Other Funds	49,241	0	0	0	0	0	49,241
TOTAL ASSETS	\$ 509,195	\$ 164,933	\$ 248,403	\$ 95,869	\$ 145,549	\$ 94,277	\$ 1,258,226
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 9,078	\$ 0	\$ 0	\$ 46,000	\$ 0	\$ 19,398	\$ 74,476
Due to Other Funds	0	41,917	7,035	0	0	0	48,952
TOTAL LIABILITIES	9,078	41,917	7,035	46,000	0	19,398	123,428
<u>FUND BALANCE</u>							
Restricted for:							
Lake Improvements	0	0	0	49,869	0	74,879	124,748
Refuse Collection/Disposal	0	0	241,368	0	0	0	241,368
Fire Protection	0	123,016	0	0	0	0	123,016
Committed for:							
Equipment Replacement	0	0	0	0	145,549	0	145,549
Assigned							
Subsequent Year's Budget Shortfall	271,981	0	0	0	0	0	271,981
Unassigned	228,136	0	0	0	0	0	228,136
TOTAL FUND BALANCE	500,117	123,016	241,368	49,869	145,549	74,879	1,134,798
TOTAL LIABILITIES AND FUND BALANCE	\$ 509,195	\$ 164,933	\$ 248,403	\$ 95,869	\$ 145,549	\$ 94,277	\$ 1,258,226

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

GOVERNMENTAL FUNDS

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

Total Fund Balances for Governmental Funds	\$ 1,134,798
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Land	\$ 56,546
Land Improvements	9,965
Buildings and Improvements	303,639
Machinery and Equipment	794,462
Accumulated Depreciation	(586,423) 578,189
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,712,987
	<hr/> <hr/>

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

GOVERNMENTAL FUNDS

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

	GENERAL FUND	FIRE FUND	TRANSFER STATION FUND	CROOKED LAKE IMPROVEMENT FUND	CAPITAL PROJECTS FUND	NONMAJOR FUNDS	TOTALS
<u>REVENUES</u>							
Taxes	\$ 93,612	\$ 162,078	\$ 0	\$ 0	\$ 0	\$ 0	\$ 255,690
State Grants	143,935	0	0	0	0	1,989	145,924
Charges for Services	11,038	24,800	0	0	0	0	35,838
Interest and Rents	2,553	1,252	916	409	963	172	6,265
Other Revenues	0	0	153,768	57,056	0	39,552	250,376
Total Revenues	251,138	188,130	154,684	57,465	963	41,713	694,093
<u>EXPENDITURES</u>							
General Government	231,012	0	0	0	0	0	231,012
Public Safety	0	142,261	0	0	0	1,989	144,250
Public Works	14,084	0	136,730	0	0	0	150,814
Recreation and Culture	14,040	0	0	47,646	0	34,869	96,555
Other Functions	40,926	0	0	0	0	0	40,926
Total Expenditures	300,062	142,261	136,730	47,646	0	36,858	663,557
Excess (Deficiency) of Revenues over Expenditures	(48,924)	45,869	17,954	9,819	963	4,855	30,536
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In (Out)	0	(75,700)	0	0	75,700	0	0
Net Change in Fund Balance	(48,924)	(29,831)	17,954	9,819	76,663	4,855	30,536
<u>FUND BALANCE</u> - Beginning of Year	549,041	152,847	223,414	40,050	68,886	70,024	1,104,262
<u>FUND BALANCE</u> - End of Year	\$ 500,117	\$ 123,016	\$ 241,368	\$ 49,869	\$ 145,549	\$ 74,879	\$ 1,134,798

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 30,536
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Amounts reported for governmental activities are different because:

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

Capital Outlay	46,328
Depreciation Expense	<u>(39,468)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 37,396</u></u>
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The accompanying notes are an integral part of the financial statements.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>AGENCY FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ASSETS</u>	
Cash	\$ 289
<u>LIABILITIES</u>	
Due to Other Funds	289
<u>NET POSITION</u>	<u>\$ 0</u>

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Township does not have any component units.

B. Reporting Entity

Garfield Township is a general law township located in Clare County that operates under the direction of an elected township board.

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Township reports the following major governmental funds:

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire and ambulance operations.

The *Transfer Station Fund* accounts for revenue sources and expenditures derived from operating the transfer station.

The *Crooked Lake Improvement Fund* accounts for revenue sources that are legally restricted for lake improvement expenditures related to Crooked Lake.

The *Capital Projects Fund* accounts for revenue sources that are committed for equipment replacement.

Additionally, The Township reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted, committed, or assigned to expenditures for specific purposes.

Fiduciary Funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

The Township reports the following fiduciary fund:

The *Agency Fund* accounts for property tax revenues that are collected by the Township on behalf of various governmental entities, including the Township itself.

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

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Budgetary Information

1. Budgetary Basis of Accounting

- Prior to July 1, the Township Supervisor submits to the Township Board a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- The Township Board holds a public hearing and adopts a resolution approving the budgets.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

- All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year-end. Budgeted amounts are as originally adopted, or as amended by the Township Board from time to time throughout the year.
- Encumbrance accounting is not employed in governmental funds.

2. Funds with Expenditures in Excess of Appropriations were as Follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Board of Review	\$ 1,600	\$ 1,619
Other Functions		
Employee Benefits	33,000	40,926

These overages were funded with available fund balance and additional revenues.

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

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and other short-term investments, including certificates of deposit.

Investments - The Township's investment policy is in compliance with state law and authorizes the Township to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper.

2. Inventories and Prepaid Items

Inventories are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. Capital Assets

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

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

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

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	20
Buildings and Improvements	50
Machinery and Equipment	3-20

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

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

5. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund Balance Flow Assumption*

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

7. *Fund Balance Policies*

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

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

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

8. *Use of Estimates*

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes/Special Assessments

The 2013 taxable valuation of the Township totaled \$87,674,255, on which ad valorem taxes levied consisted of 0.7214 mills for operating purposes and 1.900 mills for fire and ambulance operations. The Township also placed various special assessments on the 2013 tax roll to finance refuse collection/disposal and lake improvements on various lakes within the Township.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note 1.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2014.

Additionally, the Township did not adopt a budget for the Liquor Law Enforcement Fund as required by Michigan law.

NOTE 3 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, \$435,461 of the government's bank balance of \$1,185,750 was exposed to custodial credit risk because it was uninsured and uncollateralized. The uninsured balance is spread amongst the funds as the Township pools its cash accounts together. Although the Township's investment policy does not specifically address custodial credit risk, the Township tries to limit its exposure to this risk when practical by controlling who holds the Township's deposits.

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

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. Receivables

The Township has only one receivable as of June 30, 2014, which is \$47,785 in the General Fund that is due from the State of Michigan for state shared revenues.

C. Capital Assets

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 56,546	\$ 0	\$ 0	\$ 56,546
Capital Assets, Being Depreciated				
Land Improvements	9,965	0	0	9,965
Buildings and Improvements	303,639	0	0	303,639
Machinery and Equipment	748,134	46,328	0	794,462
Total Capital Assets, Being Depreciated	1,061,738	46,328	0	1,108,066
Less Accumulated Depreciation for:				
Land Improvements	8,056	162	0	8,218
Buildings and Improvements	88,442	6,192	0	94,634
Machinery and Equipment	450,457	33,114	0	483,571
Total Accumulated Depreciation	546,955	39,468	0	586,423
Total Capital Assets, Being Depreciated, Net	514,783	6,860	0	521,643
Governmental Activities Capital Assets, Net	\$ 571,329	\$ 6,860	\$ 0	\$ 578,189

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

Governmental Activities	
General Government	\$ 9,433
Public Safety	30,035
Total Depreciation Expense - Governmental Activities	<u>\$ 39,468</u>

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Interfund Receivables, Payables and Transfers

Interfund Receivable and Payable balances as of June 30, 2014, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 49,241	\$ 0
Fire Fund	0	41,917
Transfer Station Fund	0	7,035
Agency Fund	0	289
TOTAL	<u>\$ 49,241</u>	<u>\$ 49,241</u>

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

Interfund Transfers for the year-ended June 30, 2014, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
Fire Fund	\$ 0	\$ 75,700
Capital Projects Fund	75,700	0
TOTAL	<u>\$ 75,700</u>	<u>\$ 75,700</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 4 - OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Township participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker's disability compensation. The pools are considered public entity risk pools. The Township pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Township has not been informed to any special assessments being required for the current year or the three prior years.

The Township continued to carry commercial insurance for other risks of loss.

B. Retirement Plan

The Township has a defined contribution pension plan that provides retirement benefits to employees and elected officials that meet the requirements set forth in the plan. The Township contributes 15% of each eligible employee's salary to the plan annually. Employees are not required to, but can voluntarily, make a contribution. For the year ended June 30, 2014, the Township contributed \$22,044 to the plan, which included approximately \$2,100 in plan administration fees. Employees voluntarily contributed an additional \$5,910 to their individual plans. Covered wages for the year were approximately \$133,000, while total wages were approximately \$153,500.

C. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Township.

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

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

	GENERAL FUND			FIRE FUND			TRANSFER STATION FUND			CROOKED LAKE IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES												
Taxes	\$ 95,401	\$ 95,401	\$ 93,612	\$ 164,289	\$ 164,289	\$ 162,078	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Grants	116,104	164,104	143,935	0	0	0	0	0	0	0	0	0
Charges for Services	9,300	9,300	11,038	300	25,100	24,800	0	0	0	0	0	0
Interest and Rents	4,000	4,000	2,553	1,000	1,000	1,252	1,400	1,400	916	500	500	409
Other Revenues	1,000	1,000	0	0	0	0	148,940	148,940	153,768	48,216	48,216	57,056
Total Revenues	225,805	273,805	251,138	165,589	190,389	188,130	150,340	150,340	154,684	48,716	48,716	57,465
EXPENDITURES												
General Government												
Township Board	13,896	23,896	22,428	0	0	0	0	0	0	0	0	0
Supervisor	17,455	17,455	16,870	0	0	0	0	0	0	0	0	0
Elections	3,700	3,700	861	0	0	0	0	0	0	0	0	0
Assessor	38,500	38,500	38,209	0	0	0	0	0	0	0	0	0
Clerk	26,604	26,604	23,335	0	0	0	0	0	0	0	0	0
Board of Review	1,600	1,600	1,619	0	0	0	0	0	0	0	0	0
Treasurer	35,604	35,604	29,019	0	0	0	0	0	0	0	0	0
Building and Grounds	73,250	93,250	87,304	0	0	0	0	0	0	0	0	0
Cemetery	19,775	19,775	11,367	0	0	0	0	0	0	0	0	0
Public Safety												
Fire	0	0	0	166,788	155,888	142,261	0	0	0	0	0	0
Public Works												
Highways, Streets, Bridges	106,000	106,000	10,567	0	0	0	0	0	0	0	0	0
Street Lighting	4,000	4,000	3,517	0	0	0	0	0	0	0	0	0
Refuse Collection/Disposal	0	0	0	0	0	0	165,050	165,050	136,730	0	0	0
Recreation and Culture												
Parks and Recreation	0	0	0	0	0	0	0	0	0	50,000	50,000	47,646
Miscellaneous Recreation Facilities	31,300	21,300	12,785	0	0	0	0	0	0	0	0	0
Library	1,500	1,500	1,255	0	0	0	0	0	0	0	0	0
Other Functions												
Employee Benefits	33,000	33,000	40,926	0	0	0	0	0	0	0	0	0
Total Expenditures	406,184	426,184	300,062	166,788	155,888	142,261	165,050	165,050	136,730	50,000	50,000	47,646
Excess (Deficiency) of Revenues Over Expenditures	(180,379)	(152,379)	(48,924)	(1,199)	34,501	45,869	(14,710)	(14,710)	17,954	(1,284)	(1,284)	9,819
OTHER FINANCING SOURCES (USES)												
Transfers Out	0	0	0	(10,000)	(75,700)	(75,700)	0	0	0	0	0	0
Net Change in Fund Balance	(180,379)	(152,379)	(48,924)	(11,199)	(41,199)	(29,831)	(14,710)	(14,710)	17,954	(1,284)	(1,284)	9,819
FUND BALANCE - Beginning of Year	549,041	549,041	549,041	152,847	152,847	152,847	223,414	223,414	223,414	40,050	40,050	40,050
FUND BALANCE - End of Year	\$ 368,662	\$ 396,662	\$ 500,117	\$ 141,648	\$ 111,648	\$ 123,016	\$ 208,704	\$ 208,704	\$ 241,368	\$ 38,766	\$ 38,766	\$ 49,869

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2014

	SPECIAL REVENUE FUNDS			TOTALS
	LIQUOR LAW ENFORCEMENT FUND	PERCH LAKE IMPROVEMENT FUND	EIGHT POINT LAKE IMPROVEMENT FUND	
<u>ASSETS</u>				
Cash	\$ 7,810	\$ 10,787	\$ 75,680	\$ 94,277
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,810	\$ 3,300	\$ 8,288	\$ 19,398
<u>FUND BALANCE</u>				
Restricted for Lake Improvements	0	7,487	67,392	74,879
TOTAL LIABILITIES AND FUND BALANCE	\$ 7,810	\$ 10,787	\$ 75,680	\$ 94,277

GARFIELD TOWNSHIP, CLARE COUNTY
LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

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

	SPECIAL REVENUE FUNDS			TOTALS
	LIQUOR LAW ENFORCEMENT FUND	PERCH LAKE IMPROVEMENT FUND	EIGHT POINT LAKE IMPROVEMENT FUND	
<u>REVENUES</u>				
State Grants	\$ 1,989	\$ 0	\$ 0	\$ 1,989
Interest and Rents	0	19	153	172
Other Revenues	0	5,907	33,645	39,552
Total Revenues	1,989	5,926	33,798	41,713
<u>EXPENDITURES</u>				
Public Safety	1,989	0	0	1,989
Recreation and Culture	0	6,040	28,829	34,869
Total Expenditures	1,989	6,040	28,829	36,858
Excess (Deficiency) of Revenues Over Expenditures	0	(114)	4,969	4,855
<u>FUND BALANCES</u> - Beginning of Year	0	7,601	62,423	70,024
<u>FUND BALANCES</u> - End of Year	\$ 0	\$ 7,487	\$ 67,392	\$ 74,879



Baird, Cotter & Bishop, P.C.

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www.bcbcpa.com

October 8, 2014

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

To the Township Board
Garfield Township
Clare County
Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Garfield Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

During the course of our audit of the basic financial statements of Garfield Township for the year ended June 30, 2014, we noted the following items which we feel deserve comment:

Policies

During the course of the audit, Township officials could not locate a credit card policy or a capitalization policy. It is our recommendation that the Board adopt both of these policies and adhere to them. We can provide sample policies upon request.

Bank Reconciliations

As part of the bank reconciliation process, we recommend the Clerk compare the reconciled bank account to the general ledger. Each month the amount of cash that is shown on the reconciliation should equal the amounts reported in the general ledger for each month.

Liquor Law Enforcement Fund

During the course of our audit, it was noted that the Township Board did not adopt a budget for the Liquor Law Enforcement Fund. Although the nature of this fund is to have revenues equal expenses each year, it is required by Michigan law that the Board adopt a budget for each special revenue fund.

Other Matters

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

We were engaged to report on the Combining Fund Financial Statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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October 8, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Garfield Township
Clare County
Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield Township as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Garfield Township's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garfield Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Garfield Township's internal control.

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

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

1) Segregation of Incompatible Duties and Documented Independent Review

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

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

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

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

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

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

2) *Preparation of Financial Statements in Accordance with GAAP*

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

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

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

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

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

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task

to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Garfield Township's response to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

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