

TOWNSHIP OF GILEAD
Branch County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

TOWNSHIP OF GILEAD
Branch County, Michigan

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INDEPENDENT AUDITOR'S REPORT

November 11, 2014

To the Township Board
Township of Gilead
Branch 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 Gilead, Branch County, Michigan, as of and for the year ended March 31, 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 Gilead, Branch County, Michigan, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 GILEAD
Branch County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2014

The Management's Discussion and Analysis report of the Township of Gilead covers the Township's financial performance during the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net position at March 31, 2014, totaled \$104,324.55 for governmental activities.

Overall revenues were \$90,259.63 from governmental activities. Government activities had an increase in net position of \$26,649.08

We did not incur any debt.

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 governmental activities.

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. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, and revenue sharing payments.

All of the activities of the Township are reported as governmental activities. These include the General Fund and the Cemetery Perpetual Care Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, which includes Revenue and Expenditure Statements. Funds are used to account for specific activities or funding sources. 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.

The Township has the following type of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include the General Fund and the Cemetery Perpetual Care Fund.

TOWNSHIP OF GILEAD
Branch County, Michigan

CONDENSED FINANCIAL INFORMATION

For the year ended March 31, 2014

	Total Governmental Activities 2014
Current Assets	99 879
Capital Assets	4 446
Total Assets	104 325
Current Liabilities	-
Non-current Liabilities	-
Total Liabilities	-
Net Position:	
Invested in Capital	
Assets	4 446
Restricted	2 000
Unrestricted	97 879
Total Net Position	104 325
	Total Governmental Activities 2014
Program Revenues:	
Fees and Charges for Services	10 884
General Revenues:	
Property Taxes	29 938
State Revenue Sharing	49 138
Interest	144
Miscellaneous	156
Total Revenues	90 260
Program Expenses:	
Legislative	7 485
General Government	35 513
Public Safety	18 961
Public Works	1 652
Total Expenses	63 611
Change in Net Position	26 649
Net Position, April 1	77 676
Net Position, March 31	104 325

TOWNSHIP OF GILEAD
Branch County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2014

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains healthy. We do not carry any debts. Net position at March 31, 2014 was \$104,324.55 which is an increase of \$26,649.08 from the prior year. The change was due to increased state revenue sharing payments. Refer to Page 4 for a summary of the Township's financial activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services with total expenditures of \$61,675.55. The most significant is Fire protection which incurred expenses of \$16,200.99.

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 \$8,709.63 over budget due to state revenue sharing being more than expected. Expenses were \$21,524.45 under budget due to Fire protection expenditures being much less than anticipated.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's capital assets, which include land, buildings, fire vehicles and equipment is \$4,446.00.

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

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is stable and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except roads, and fire department maintenance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Treasurer.

TOWNSHIP OF GILEAD
Branch County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2014

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	98 310 83
Taxes receivable	<u>1 567 72</u>
Total Current Assets	<u>99 878 55</u>
NON-CURRENT ASSETS:	
Capital Assets	41 251 00
Less: Accumulated Depreciation	<u>(36 805 00)</u>
Total Non-current Assets	<u>4 446 00</u>
TOTAL ASSETS	<u><u>104 324 55</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	4 446 00
Restricted	2 000 00
Unrestricted	<u>97 878 55</u>
Total Net Position	<u>104 324 55</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>104 324 55</u></u>

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

TOWNSHIP OF GILEAD
Branch County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 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	7 485 07	-	(7 485 07)
General government	35 512 26	10 884 15	(24 628 11)
Public safety	18 960 99	-	(18 960 99)
Public works	1 652 23	-	(1 652 23)
	<u>63 610 55</u>	<u>10 884 15</u>	<u>(52 726 40)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			29 938 29
State revenue sharing			49 138 00
Interest			143 67
Miscellaneous			155 52
			<u>79 375 48</u>
Total General Revenues			
Change in net position			26 649 08
Net position, beginning of year			<u>77 675 47</u>
Net Position, End of Year			<u>104 324 55</u>

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

TOWNSHIP OF GILEAD
Branch County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2014

	General	Other Funds (Cemetery Perpetual Care)	Total
<u>Assets</u>			
Cash in bank	96 310 83	2 000 00	98 310 83
Taxes receivable	1 567 72	-	1 567 72
Total Assets	97 878 55	2 000 00	99 878 55
<u>Liabilities and Fund Equity</u>			
Liabilities	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Restricted	-	2 000 00	2 000 00
Unassigned	97 878 55	-	97 878 55
Total fund equity	97 878 55	2 000 00	99 878 55
Total Liabilities and Fund Equity	97 878 55	2 000 00	99 878 55

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

TOWNSHIP OF GILEAD
Branch County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
March 31, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	99 878 55
Amounts reported for governmental activities in the statement of net position are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	41 251 00
Accumulated depreciation	<u>(36 805 00)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>104 324 55</u></u>

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

TOWNSHIP OF GILEAD
Branch County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2014

	General	Other Funds (Cemetery Perpetual Care)	Total
Revenues:			
Property taxes	29 938 29	-	29 938 29
Licenses and permits	2 419 21	-	2 419 21
State revenue sharing	49 138 00	-	49 138 00
Charges for services – PTAF	8 464 94	-	8 464 94
Interest	143 67	-	143 67
Miscellaneous	155 52	-	155 52
Total revenues	90 259 63	-	90 259 63
Expenditures:			
Legislative:			
Township Board	7 485 07	-	7 485 07
General government:			
Supervisor	4 950 00	-	4 950 00
Elections	194 36	-	194 36
Assessor	9 809 07	-	9 809 07
Clerk	5 499 96	-	5 499 96
Board of Review	505 00	-	505 00
Treasurer	7 872 76	-	7 872 76
Building and grounds	626 11	-	626 11
Cemetery	4 120 00	-	4 120 00
Public safety:			
Fire protection	16 200 99	-	16 200 99
Planning and zoning	2 760 00	-	2 760 00
Public works:			
Drains	1 652 23	-	1 652 23
Total expenditures	61 675 55	-	61 675 55
Excess (deficiency) of revenues over expenditures	28 584 08	-	28 584 08
Fund balances, April 1, 2013	69 294 47	2 000 00	71 294 47
Fund Balances, March 31, 2014	97 878 55	2 000 00	99 878 55

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

TOWNSHIP OF GILEAD
Branch County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 28 584 08

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	(1 935 00)
Capital Outlay	<u>-</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 26 649 08

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

TOWNSHIP OF GILEAD
Branch County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2014

	<u>Balance 4/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/14</u>
<u>Assets</u>				
Cash in Bank	<u>7 74</u>	<u>660 753 83</u>	<u>660 761 57</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	7 74	36 875 51	36 883 25	-
Due to other units	<u>-</u>	<u>623 878 32</u>	<u>623 878 32</u>	<u>-</u>
Total Liabilities	<u>7 74</u>	<u>660 753 83</u>	<u>660 761 57</u>	<u>-</u>

TOWNSHIP OF GILEAD
Branch County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2014

Cash on hand and in bank – beginning of year	<u>7 74</u>
Cash receipts:	
Property taxes	<u>660 753 83</u>
Total cash receipts	<u>660 753 83</u>
Total beginning balance and cash receipts	<u>660 761 57</u>
Cash disbursements:	
Branch County	528 380 99
Bronson Community Schools	93 441 87
Township General Fund	36 883 25
Refunds	<u>2 055 46</u>
Total cash disbursements	<u>660 761 57</u>
Cash on Hand and in Bank – End of Year	<u><u>-</u></u>

TOWNSHIP OF GILEAD
Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Gilead, Branch 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 Gilead. 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 GILEAD
Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 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.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for amounts received for maintenance of the cemetery.

Fiduciary Fund

The Current Tax Collection Fund is 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 2013 tax roll millage rate was 1.2392 mills, and the taxable value was \$24,137,390.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF GILEAD
Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 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 straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25 years
Furniture and equipment	3-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

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.

TOWNSHIP OF GILEAD
Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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.

The Township Board has designated one financial institutions 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>98 310 83</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	99 122 55
Uninsured and Uncollateralized	-
Total Deposits	<u>99 122 55</u>

The Township did not have any investments as of March 31, 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 are 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.

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

TOWNSHIP OF GILEAD
Branch County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments (continued)

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 4/1/13	Additions	Deletions	Balance 3/31/14
Governmental Activities:				
Capital assets not being depreciated:				
Land	3 000 00	-	-	3 000 00
Subtotal	3 000 00	-	-	3 000 00
Capital assets being depreciated:				
Buildings	37 000 00	-	-	37 000 00
Equipment	1 251 00	-	-	1 251 00
Subtotal	38 251 00	-	-	38 251 00
Total	41 251 00	-	-	41 251 00
Accumulated Depreciation:				
Building and Improvements	(33 619 00)	(1 935 00)	-	(35 554 00)
Equipment	(1 251 00)	-	-	(1 251 00)
Total	(34 870 00)	(1 935 00)	-	(36 805 00)
 Net Capital Assets	 6 381 00	 (1 935 00)	 -	 4 446 00

Depreciation expense was charged to the following activities:

General government 1 935 00

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – 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 8 – Building Permits

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

TOWNSHIP OF GILEAD
Branch County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	31 000 00	31 000 00	29 938 29	(1 061 71)
Licenses and permits	300 00	300 00	2 419 21	2 119 21
State revenue sharing	42 000 00	42 000 00	49 138 00	7 138 00
Charges for services:				
PTAF	5 000 00	5 000 00	8 464 94	3 464 94
Interest	250 00	250 00	143 67	(106 33)
Miscellaneous	3 000 00	3 000 00	155 52	(2 844 48)
Total revenues	81 550 00	81 550 00	90 259 63	8 709 63
Expenditures:				
Legislative:				
Township Board	15 350 00	15 350 00	7 485 07	(7 864 93)
General government:				
Supervisor	5 000 00	5 000 00	4 950 00	(50 00)
Elections	1 000 00	1 000 00	194 36	(805 64)
Assessor	10 000 00	10 000 00	9 809 07	(190 93)
Clerk	5 550 00	5 550 00	5 499 96	(50 04)
Board of Review	600 00	600 00	505 00	(95 00)
Treasurer	8 200 00	8 200 00	7 872 76	(327 24)
Building and grounds	2 000 00	2 000 00	626 11	(1 373 89)
Cemetery	4 500 00	4 500 00	4 120 00	(380 00)
Public safety:				
Fire protection	20 000 00	20 000 00	16 200 99	(3 799 01)
Planning and zoning	3 000 00	3 000 00	2 760 00	(240 00)
Public works:				
Drains	3 000 00	3 000 00	1 652 23	(1 347 77)
Highways and streets	5 000 00	5 000 00	-	(5 000 00)
Total expenditures	83 200 00	83 200 00	61 675 55	(21 524 45)
Excess (deficiency) of revenues over expenditures	(1 650 00)	(1 650 00)	28 584 08	30 234 08
Fund balance, April 1, 2013	1 650 00	1 650 00	69 294 47	67 644 47
Fund Balance, March 31, 2014	-	-	97 878 55	97 878 55

TOWNSHIP OF GILEAD
Branch County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2014

Township Board:	
Salaries	990 00
Memberships and dues	443 19
Supplies	1 701 26
Payroll taxes	891 76
Insurance	3 029 00
Miscellaneous	<u>429 86</u>
	<u>7 485 07</u>
Supervisor	
	<u>4 950 00</u>
Elections	
	<u>194 36</u>
Assessor:	
Wages	7 997 00
Miscellaneous	<u>1 812 07</u>
	<u>9 809 07</u>
Clerk:	
Salary	<u>5 499 96</u>
Board of Review:	
Wages	<u>505 00</u>
Treasurer:	
Salary	7 149 96
Miscellaneous	<u>722 80</u>
	<u>7 872 76</u>
Building and grounds	<u>626 11</u>
Cemetery:	
Contracted services	<u>4 120 00</u>
Fire protection	<u>16 200 99</u>
Planning and zoning:	
Zoning Board of Appeals	<u>2 760 00</u>
Drains	<u>1 652 23</u>
Total Expenditures	<u><u>61 675 55</u></u>

CAMPBELL AUDITING CPA, PLC

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 11, 2014

To the Township Board
Township of Gilead
Branch County, Michigan

We have audited the financial statements of the Township of Gilead for the year ended March 31, 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 Gilead 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 Gilead
Branch 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 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 the 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 Gilead
Branch 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.

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 March 31, 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