

TOWNSHIP OF KEARNEY
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2014

Township of Kearney

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Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

August 9, 2014

To the Township Board
Kearney Township
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kearney Township, Antrim County, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the 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 misstatements of the financial statements, where 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 audit opinions.

PHONE (989) 732-7515, FAX (989) 732-7790

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 Kearney Township, Antrim County, Michigan as of March 31, 2014, and the respective changes in financial position of the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 and budgetary comparison information on pages 20 through 23 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Miller & Cook, LLP

**TOWNSHIP OF KEARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 31, 2014**

This section of Kearney Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Overall revenues for the primary government were approximately \$311,000 of which \$252,000 consists primarily of state shared revenues and property taxes. Overall expenses totaled approximately \$281,000 for the primary government. The activities of the Township have remained the same.

Overview of the 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.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-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 government-wide statements report net position and how they have changed. Net position is the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

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

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

Fund Financial Statements (continued)

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Swiss Village Capital Outlay – this fund is used for special revenue associated with major capital projects, requiring separate accounting because of legal or regulatory provisions. There are no projects this year.

Swiss Village Debt Service – this fund is used to account for special assessments and other resources to be used for the payment of interest and principal on long term debt. There are no assessments of debt this year.

Financial Analysis of the Township as a Whole

Net Position - the Township's net position decreased by approximately \$99,000 during the year ended March 31, 2014 totaling at year-end \$1,931,697.

Capital Asset and Long-Term Debt Activity

The Township paid off the long term debt township hall. There is no other long term debt recorded this year. Depreciation/amortization expense totaled \$56,639 of which \$17,190 is for general government and \$36,449 is for road amortization.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at P.O. Box 51, Bellaire, MI 49615.

Mr. Rolland Kotz, Supervisor

**TOWNSHIP OF KEARNEY
STATEMENT OF NET POSITION
MARCH 31, 2014**

Assets

Cash and equivalents	\$ 735,918
Taxes receivable	15,267
Capital assets not being depreciated	55,797
Capital assets being depreciated	1,129,817
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Total assets	1,936,799

Liabilities

Accrued liabilities	5,012
	<hr/>
Total liabilities	5,012
	<hr/>

Net Position

Invested in capital assets, net of related debt	1,185,614
Restricted for:	
Roads	307,086
Unrestricted	438,997
	<hr/>
Total net position	\$ 1,931,697
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See accompanying notes to financial statements.

**TOWNSHIP OF KEARNEY
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary government:					
Governmental activities:					
General government	\$ 272,243	\$ -	\$ -	\$ -	\$ (272,243)
Public safety	26,022	-	-	-	(26,022)
Public works	143,338	-	-	-	(143,338)
Total primary government	<u>\$ 441,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(441,603)</u>
General revenues:					
					225,080
					86,233
					8,034
					3,450
					20,072
Total general revenues					<u>342,869</u>
Change in net position					(98,734)
Net Position - Beginning of Year					<u>2,030,431</u>
Net Position - End of Year					<u>\$ 1,931,697</u>

See accompanying notes to financial statements.

**TOWNSHIP OF KEARNEY
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014**

	General Fund	Road Fund	Swiss Village Capital Outlay	Swiss Village Debt Service	Total
Assets					
Cash	\$ 404,473	\$ 302,722	\$ 10,395	\$ 18,328	\$ 735,918
Receivables	39,536	4,364	-	-	43,900
Total Assets	444,009	307,086	10,395	18,328	779,818
Liabilities					
Accounts payable	\$ -	\$ -	\$ 10,395	\$ 18,328	\$ 28,723
Accrued liabilities	5,012	-	-	-	5,012
Total Liabilities	5,012	-	10,395	18,328	33,735
Fund balance					
Assigned for:					
Roads	-	307,086	-	-	307,086
Unassigned	438,997	-	-	-	438,997
Total Fund Balance	438,997	307,086	-	-	746,083
Total Liabilities and Fund Balances	\$ 444,009	\$ 307,086	\$ 10,395	\$ 18,328	\$ 779,818

See accompanying notes to financial statements

**TOWNSHIP OF KEARNEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2014**

Total Fund Balance - Governmental Activities (per Balance Sheet - page 7)	\$ 746,083
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds	1,185,614
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Total Net Position - Governmental Activities (per Statement of Net Position - Page 5)	\$ 1,931,697
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See accompanying notes to financial statements.

TOWNSHIP OF KEARNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2014

	General Fund	Road Fund	Swiss Village Capital Outlay	Swiss Village Debt Service	Total
Revenues					
Taxes and assessments	\$ 166,157	\$ 58,923	\$ -	\$ -	\$ 225,080
State sources	86,233	-	-	-	86,233
Charges for services	28,723	-	-	-	28,723
Rent	3,450	-	-	-	3,450
Interest	6,511	113	2	1,408	8,034
Miscellaneous revenue	20,072	-	-	-	20,072
Total revenues	311,146	59,036	2	1,408	371,592
Expenditures					
Current:					
General government	255,053	-	10,395	18,328	283,776
Road Improvements	-	103,889	-	-	103,889
Public safety	26,022	-	-	-	26,022
Total expenditures	281,075	103,889	10,395	18,328	413,687
Excess (deficiency) of revenues over (under) expenditures	30,071	(44,853)	(10,393)	(16,920)	(42,095)
Fund balance - Beginning of Year	408,926	351,939	10,393	16,920	788,178
Fund balance - End of year	<u>\$ 438,997</u>	<u>\$ 307,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 746,083</u>

See accompanying notes to financial statements.

**TOWNSHIP OF KEARNEY
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**

Change in Fund Balance - Total Governmental Funds (per Statement of Revenues, Expenditures, and Changes in Fund Balance - Page 9)	\$	(42,095)
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Amounts reported for governmental activities in the Statement of
Activities (Page 6) are different because:

Depreciation expense, recorded in the government-wide financial statements		(56,639)
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Change in Net Position - Governmental Activities (Per Statement of Activities - Page 6)	\$	(98,734)
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See accompanying notes to financial statements.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 1: ENTITY

The Township of Kearney is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including public safety, community enrichment and human services. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Kearney Township. The general activities of Kearney Township including building, parks and other governmental activities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Kearney Township are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Kearney Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities, such as tax collection activities.

Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township does not engage in any business-type activities.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major 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 inter-governmental revenues.

Road Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Swiss Village Capital Outlay – This fund is used for special revenue associated with major capital projects, requiring separate accounting because of legal or regulatory provisions. There are currently no projects.

Swiss Village Debt Service – This fund is used to account for special assessments and other resources to be used for the payment of interest and principal on long term debt. There are currently no assessments or debts.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity Information

Beginning with fiscal year 2011-2012, the Township implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes determined by a formal action by board resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

Assigned – Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority

Unassigned – Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

It is the Township's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The Township's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund Balances	General	Road	SW Village Capital Outlay	SW Village Debt Service
Non Spendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	307,086	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	438,997	-	-	-
Total Fund Balances	\$ 438,997	\$ 307,086	\$ -	\$ -

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Other Funds

Fiduciary Fund - This fund is used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

PROPERTY TAXES

The 2013 property tax calendar is as follows:

	WINTER LEVY	SUMMER LEVY
Levy Date	December 1, 2013	July 1, 2013
Due Date	February 15, 2014	September 14, 2013

The real property tax rolls were turned over to the County of Antrim on March 1, 2014. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's tax levy.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a program level. Budgets are normally formulated during May and June of each year and a budget hearing is held in June. The board normally adopts the budget just prior to July 1. The budgets as presented in these financial statements have been amended throughout the year. They were adopted using the modified accrual method of accounting. They expire on March 31 of each year. There are no carryover items. The Township experienced no over-expenditures for the year ended March 31, 2014.

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. The Township has roads and improvements that are amortized over 20 years.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	5 years
Buildings and improvements	40 – 50 years
Furniture and equipment	10 – 20 years

Land and construction in progress are not depreciated. For information describing capital assets, see Note 4.

LONG-TERM DEBT

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal paid on obligations as debt service expense. The Township has no long term debt.

NOTE 3: CASH AND EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

NOTE 3: CASH AND EQUIVALENTS (CONTINUED)

The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township of Kearney's deposits and investment policies are in accordance with statutory authority.

At March 31, 2014 the Township's deposits were reported in the basic financial statements as follows:

General Government	\$ 404,473
Road	302,722
SW Village Capital Outlay	10,395
SW Village Debt Service	18,328
Total	<u>\$ 735,918</u>

Deposits

The bank balance of the Township's deposits is \$801,333, of which \$527,313 is covered by federal depository insurance as of March 31, 2014. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014

NOTE 4: CAPITAL ASSETS

Capital asset activity of the Township's governmental activity was as follows:

	Balance			Balance
Governmental Activities:	<u>March 31, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2013</u>
Capital assets not being depreciated:				
Land	\$ 55,797	-	\$ -	\$ 55,797
Capital assets being depreciated/amortized				
Buildings	572,329	-	-	\$ 572,329
Machinery & Equipment	4,755	-	-	\$ 4,755
Furniture & Fixtures	12,291	-	-	\$ 12,291
Roads & Improvements	788,979	-	-	\$ 788,979
Subtotal	<u>1,378,354</u>	<u>-</u>	<u>-</u>	<u>1,378,354</u>
Accumulated depreciation amortization				
Buildings & Improvements	31,235	14,308	-	45,543
Machinery & Equipment	3,487	475	-	3,962
Furniture & Fixtures	3,312	1,756	-	5,068
Land Improvements	2,608	651	-	3,259
Roads & Improvements	151,256	39,449	-	190,705
Subtotal	<u>191,898</u>	<u>56,639</u>	<u>-</u>	<u>248,537</u>
Net capital assets being depreciated	<u>\$ 1,186,456</u>	<u>(56,639)</u>	<u>\$ -</u>	<u>\$ 1,129,817</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities:	
General Government	\$ 17,190
Roads	39,449
	<u>\$ 56,639</u>

NOTE 5: LONG-TERM DEBT

The township has no long term debt.

**TOWNSHIP OF KEARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2014**

NOTE 6: PENSION PLAN

The Township of Kearney contributes to a pension plan which is a defined contribution pension plan administered by John Hancock Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under the Township's defined contribution pension plan, the benefits a participant will receive depend upon the amount contributed to the participant's account and the returns earned on investments of those contributions. All full-time employees and elected officials are eligible to participate in the plan. Contributions made by the Township and employees are fully vested. The participant will receive all vested benefits upon termination of employment with the Township.

The plan requires the Township to contribute 21.2% of the elected official's wages with the exception of the clerk. The Township pays 15% of her wages and the township pays her health insurance in the amount of \$11,326 per year. The Township has met all pension obligations for the year ended March 31, 2014. The Township's contribution for the year totals \$11,344.

NOTE 7: CONTINGENCIES

Insurance Coverage

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participants plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

TOWNSHIP OF KEARNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property tax and assessments	\$ -	-	\$ 166,157	166,157
State sources	-	-	86,233	86,233
Charges for services	-	-	28,723	28,723
Hall Rental	-	-	3,450	3,450
Interest	-	-	6,511	6,511
Miscellaneous revenue	-	-	20,072	20,072
Total revenues	489,256	489,256	311,146	(178,110)
Expenditures				
General Government				
Township Board:				
Trustee wages	4,000	4,000	3,410	590
Fringe benefits	22,600	22,600	21,256	1,344
Postage	500	500	331	169
Contractual Services	2,000	2,000	35	1,965
Printing and publishing	1,500	1,500	1,721	(221)
Insurance and bonds	15,000	15,000	15,931	(931)
Miscellaneous	23,000	23,000	30,418	(7,418)
Membership & Dues	2,800	2,800	1,946	854
Legal Expense	10,000	10,000	1,995	8,005
Supplies	3,000	3,000	2,851	149
Auditing Expense	5,500	5,500	4,350	1,150
Total Township Board	89,900	89,900	84,244	5,656
Township Supervisor:				
Wages	13,000	13,000	13,397	(397)
Supplies	1,000	1,000	49	951
Total Township Supervisor	14,000	14,000	13,446	554
Elections:				
Election Wages	4,000	4,000	-	4,000
Supplies	-	-	158	(158)
Miscellaneous	1,000	1,000	100	900
Total Elections	5,000	5,000	258	4,742
Assessor:				
Assessor Wages	27,134	27,134	27,134	-
Supplies	1,200	1,200	1,172	28
Postage	1,700	1,700	1,666	34
Contract Services	2,400	2,400	2,676	(276)
Total Assessor	32,434	32,434	32,648	(214)

TOWNSHIP OF KEARNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Township Clerk:				
Wages	24,719	24,719	24,720	(1)
Supplies	-	-	1,117	(1,117)
Deputy wages	3,000	3,000	1,150	1,850
Miscellaneous	3,400	3,400	455	2,945
Total Township Clerk	31,119	31,119	27,442	3,677
Board of Review:				
Wages	2,500	2,500	1,740	760
Miscellaneous	100	100	85	15
Total Board of Review	2,600	2,600	1,825	775
Township Treasurer:				
Wages	21,425	21,425	21,392	33
Deputy wages	3,000	3,000	1,676	1,324
Postage	800	800	1,170	(370)
Contractural Services	5,500	5,500	3,924	1,576
Miscellaneous	3,200	3,200	2,624	576
Total Township Treasurer	33,925	33,925	30,786	3,139
Building & Grounds:				
Custodian wages	1,000	1,000	-	1,000
Insurance & Bonds	7,000	7,000	5,768	1,232
Supplies	1,000	1,000	498	502
Telephone	6,000	6,000	5,122	878
Utilities	8,500	8,500	6,481	2,019
Security	-	-	154	(154)
Heat	-	-	56	(56)
Repair and maintenance	6,000	6,000	14,126	(8,126)
Miscellaneous	5,500	5,500	7,107	(1,607)
Capital outlay	2,000	2,000	1,020	980
Total Building & Grounds	37,000	37,000	40,332	(3,332)
Cemetery:				
Cemetery Wages	5,500	5,500	3,920	1,580
Miscellaneous	1,500	1,500	3,400	(1,900)
Total Cemetery	7,000	7,000	7,320	(320)

TOWNSHIP OF KEARNEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Planning & Zoning				
Wages	22,600	22,600	15,198	7,402
Miscellaneous	2,000	2,000	1,554	446
Total Planning & Zoning	24,600	24,600	16,752	7,848
Public Safety				
Street Lights	500	500	212	288
Fire Protection	118,289	118,289	25,810	92,479
Total Public Safety	118,789	118,789	26,022	92,767
Recreation & Culture				
Parks	1,000	1,000	-	1,000
Total Recreation & Culture	1,000	1,000	-	1,000
Total Government	397,367	397,367	281,075	116,292
Total Expenditures	397,367	397,367	281,075	116,292
Excess (deficiency) of revenues over (under) expenditures and other sources	91,889	91,889	30,071	(61,818)
Fund Balance - Beginning of Year	408,926	408,926	408,926	-
Fund Balance - End of Year	\$ 500,815	\$ 500,815	\$ 438,997	\$ (61,818)

TOWNSHIP OF KEARNEY
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
ROAD FUND
YEAR ENDED MARCH 31, 2014

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Property Taxes	50,000	50,000	58,923	8,923
Interest	-	-	113	113
Total revenues	50,000	50,000	59,036	9,036
Expenditures				
Road Improvements	133,621	133,621	103,889	29,732
Total public safety	133,621	133,621	103,889	29,732
Excess (deficiency) of revenues over (under) expenditures	(83,621)	(83,621)	(44,853)	38,768
Fund Balance - Beginning of Year	351,939	351,939	351,939	-
Fund Balance - End of Year	268,318	268,318	307,086	38,768



Miller & Cook, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 9, 2014

To the Township Board
Kearney Township
Antrim County, Michigan

We have audited the financial statements of Kearney Township for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States of America, 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 United States General Accepted Auditing Standards

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

Management has the responsibility for adopting sound account 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 of 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 of those 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 a reasonable cost. That is why an auditor's work is based on selected tests rather than on 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 financials 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."

Significant Accounting Policies

The significant accounting policies are described in Note 2 of 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 from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures performed; 3) Disagreements with management regarding the scope of the audit or application of account principles; 4) Consultation with other accounts; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

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

Internal Control Matters

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material or material weaknesses.

A **control deficiency** 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiency, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might

be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Organization has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Organization has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Organization has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other organizations of its size.

Summary

This information is intended solely for the use of the Board and Management of Kearney Township and is not intended to be and should not be used by anyone other than these specific parties.

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

Respectfully Yours,

Miller and Cook, LLP