

**PLEASANTVIEW TOWNSHIP
EMMET COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
June 30, 2014

Prepared By:

Richard E. Mahlmeister, CPA, PC
580 South Nicolet, P.O. Box 656
Mackinaw City, MI 49701

PLEASANTVIEW TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

March 27, 2015

Township Board
Pleasantview Township
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund, of *Pleasantview Township, Emmet County, Michigan*, as of and for the year ended June 30, 2014, which collectively comprise **Pleasantview Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Pleasantview Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of *Pleasantview Township, Emmet County, Michigan*, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity 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 on pages 1 through 5 and 21 through 22 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC

PLEASANTVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net position at June 30, 2014 totaled \$580,371, representing an increase of \$46,266 from the previous fiscal year.

Governmental Fund Highlights

The governmental activities of the Township reported an ending fund balance of \$504,282, which represents an increase of \$48,261 from the previous fiscal year.

Capital Assets and Long-term Debt

The Township acquired no capital assets during the fiscal year and has no long-term debt. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) 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 and/or business-type activities.

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

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

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

PLEASANTVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL 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's 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. This is one method to measure our financial health or position.

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

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

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund and Road Fund.

The comparison of net position of governmental activities from year to year serves to measure a government's financial position:

**Pleasantview Township
Net Position
June 30,**

	GOVERNMENTAL ACTIVITIES	
	2014	2013
Current assets	\$ 514,110	\$ 465,023
Capital assets (net)	<u>76,089</u>	<u>78,084</u>
Total assets	<u>590,199</u>	<u>543,107</u>
Liabilities - all current	<u>9,828</u>	<u>9,002</u>
Net position:		
Invested in capital assets	76,089	78,084
Unrestricted	<u>504,282</u>	<u>456,021</u>
	<u>\$ 580,371</u>	<u>\$ 534,105</u>

PLEASANTVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The most significant portion of the Township's Net Position is the investment in capital assets (e.g. land, buildings and improvements, and equipment), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has no restricted net position and \$504,282 in unrestricted Net Position. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Position of the Township:

**Pleasantview Township
Change in Net Position
June 30,**

	GOVERNMENTAL ACTIVITIES	
	2014	2013
REVENUES:		
Program revenues:		
Charges for services	\$ 3,743	\$ 1,672
General revenues:		
Property taxes	240,485	241,696
State-shared revenues	70,564	69,394
Interest income	934	2,893
Other	438	18,594
Total Revenues	<u>316,164</u>	<u>334,249</u>
EXPENSES:		
Legislative	6,484	7,270
General government	134,639	140,687
Public safety	33,024	30,352
Public works	82,259	179,423
Recreation and culture	2,469	2,469
Other functions	9,028	9,195
Unallocated depreciation	1,995	1,995
Total Expenses	<u>269,898</u>	<u>371,391</u>
Net position:		
Increase (decrease)	46,266	(37,142)
Beginning net position	<u>534,105</u>	<u>571,247</u>
Ending net position	<u>\$ 580,371</u>	<u>\$ 534,105</u>

PLEASANTVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

Governmental Activities

The Township is able to report positive balances in net position. Net position increased by \$46,266. Total revenue remained stable from the prior year, with the exception of other income which decreased due to refunds received in prior year that did not occur in the current year. Though costs of doing business have been stable, the greatest factor expenses have decreased over the prior year is that we contracted fewer road projects in the current year.

FUND FINANCIAL STATEMENTS

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

The Township has the following types of funds:

Governmental Funds

Most 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. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains one major governmental fund, the General Fund. This Township fund is financed primarily by property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, recreation and culture and tax collection.

PLEASANTVIEW TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS – CONTINUED

Governmental Fund Activities - continued

The General Fund increased its fund balance by \$48,261, bringing the fund balance to \$504,282.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2014, the Township's governmental activities had \$76,089 in net capital assets (building & land improvements). We did not acquire any capital assets during the fiscal year.

Long-Term Debt

No new debt was incurred during the year, and we have no other debt.

BUDGETARY HIGHLIGHTS

There were no significant differences between the original and final budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be generally the same as in the current year. We plan on improving various county roads within the Township, and are striving to keep all our current buildings in good repair as money permits each year. The Township levies 2.00 mills, of which 1.00 mill is allocated to operations and the other mill is dedicated to road improvements, to which the township has added additional funds each year.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.526.8140 (Pleasantview Township Hall).



William Wiechmann
Pleasantview Township Supervisor

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**PLEASANTVIEW TOWNSHIP
STATEMENT OF NET POSITION
JUNE 30, 2014**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$ 503,304
Receivables:	
Due from other governmental units	10,225
Due from fiduciary fund	581
Capital assets (net of accumulated depreciation)	<u>76,089</u>
<u>TOTAL ASSETS</u>	<u>590,199</u>
<u>LIABILITIES</u>	
Accounts payable and accrued payroll taxes	<u>9,828</u>
<u>TOTAL LIABILITIES</u>	<u>9,828</u>
<u>NET POSITION</u>	
Invested in capital assets	76,089
Unrestricted	<u>504,282</u>
<u>TOTAL NET POSITION</u>	<u>\$ 580,371</u>

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

**PLEASANTVIEW TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenue	Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities TOTAL
Primary government				
Governmental activities				
Legislative	\$ 6,484	\$ -	\$ -	(6,484)
General government	134,639	3,743	-	(130,896)
Public safety	33,024	-	-	(33,024)
Public works	82,259	-	-	(82,259)
Recreation and culture	2,469	-	-	(2,469)
Other functions	9,028	-	-	(9,028)
Unallocated depreciation	1,995	-	-	(1,995)
Total governmental activities	\$ 269,898	\$ 3,743	\$ -	(266,155)
General Revenues:				
Property taxes				240,485
State-shared revenues				70,564
Unrestricted interest income				934
Other				438
Total general revenues				312,421
Change in net position				46,266
Net position, beginning of year				534,105
Net position, end of year				\$ 580,371

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

FUND FINANCIAL STATEMENTS

PLEASANTVIEW TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

<u>ASSETS</u>	<u>GENERAL FUND</u>
Cash and cash equivalents	\$ 503,304
Due from other governmental units	10,225
Due from fiduciary fund	<u>581</u>
<u>TOTAL ASSETS</u>	<u>\$ 514,110</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Accounts payable and accrued payroll taxes	\$ 9,828
TOTAL LIABILITIES	<u> </u>
 FUND BALANCES:	
Unassigned	<u>504,282</u>
TOTAL FUND BALANCES	<u>504,282</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 514,110</u>

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

PLEASANTVIEW TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Reconciliation of fund balance on the balance sheets for governmental activities
to the statement of net position

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	504,282
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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.

Add: capital assets	104,018
Subtract: accumulated depreciation	<u>(27,929)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>580,371</u>
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The accompanying notes are an integral part of these financial statements.

PLEASANTVIEW TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND
REVENUES:	
Taxes	\$ 240,485
State shared revenues	70,564
Charges for services	3,743
Interest	934
Other	438
	316,164
 TOTAL REVENUES	 316,164
 EXPENDITURES:	
Current:	
Legislative	6,484
General government	134,639
Public safety	33,024
Public works	82,259
Library	2,469
Other functions	9,028
	267,903
 TOTAL EXPENDITURES	 267,903
 NET CHANGE IN FUND BALANCE	 48,261
 FUND BALANCE, BEGINNING OF YEAR	 456,021
	456,021
 FUND BALANCE, END OF YEAR	 \$ 504,282
	504,282

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

PLEASANTVIEW TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Reconciliation of statement of revenues, expenditures and changes in fund balance of governmental funds to statement of activities

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	48,261
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay expenditures

Subtract: depreciation expense

(1,995)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 46,266

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

PLEASANTVIEW TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash	\$ 581
<u>LIABILITIES</u>	
Due to other funds	581
TOTAL LIABILITIES	581
<u>NET POSITION</u>	
Fiduciary Net Position	\$ -

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

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pleasantview Township, Emmet County, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Pleasantview Township.

A. Reporting Entity

The Township is governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements (i.e., 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 and its component units. For the most part, the effect of inter-fund 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. 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 business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements: 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. 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, as are the proprietary fund and fiduciary fund financial statements. 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 revenues in the year 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.

Governmental fund financial statements are reported using the current financial 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, debt service expenditures as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

The Township reports the following major governmental fund:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

The Township reports the following fiduciary fund:

Trust and Agency Fund: Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

D. Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments: Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts. Investments are stated at market, and consist of certificates of deposit with maturity values of three months or longer. The Township has no investments in the current year.

Receivables, Payables and Transfers: All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. There are no transfers during the current year.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity - Continued

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

Capital Assets: Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are generally defined by the Township as assets that are used in operations and have an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed 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 capital assets of the Township are depreciated using the straight-line method over the estimated life of 40 years.

Compensated Absences and Post-employment Benefits: There is no accumulated vacation, sick leave, or post-employment benefits to be recognized.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The township has no long-term liabilities in the current year.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township did not have any nonspendable resources as of June 30, 2014.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity - Continued

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a)externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted resources as of June 30, 2014.
- **Assigned:** This classification includes amounts that are constrained by The Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township's Board or through the Township Board delegating this responsibility to the management through the budgetary process. The Township did not have any assigned resources as of June 30, 2014.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

The Township would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Excess of Expenditures Over Appropriations in Budgetary Funds: P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred General Fund expenditures which exceeded the amount appropriated was as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Cemetery	\$1,250	\$1,625	\$375
Fire service	\$27,000	\$27,863	\$863
Liquor inspections	\$5,070	\$5,161	\$91

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended June 30, 2014, reflected in the accompanying financial statements include property taxes levied December 31, 2013. These taxes are due by February 15, 2014, and are added to the County tax rolls after February 28, 2014. The Township received 100% payment for the delinquent tax by June 30, 2014.

The taxable value of the Township totaled \$98,844,633, on which ad valorem taxes consisted of 2.000 mills for the Township's operating purposes, raising \$193,510.

NOTE 4: DEPOSITS AND INVESTMENTS

Statutory Authority: Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature 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 which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two financial institutions for the deposit of Township funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorize investments in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

NOTE 4: DEPOSITS AND INVESTMENTS

The caption on the statement of net position relating to cash and cash equivalents and investments represent cash deposits at two local banks in the amount of \$503,885.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEPOSITS AND INVESTMENTS - CONTINUED

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial Credit Risk: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured	\$393,743	\$394,335
Uninsured – uncollateralized	110,142	114,174
	<u>\$503,885</u>	<u>\$508,509</u>

The Township may experience significant fluctuations in deposit balances through the year.

The Local Governmental Unit’s deposits and investment policy are in accordance with statutory authority.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivables and payables for the year ended June 30, 2014 is as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$581	\$ -
Tax Collection	-	581
Total	<u>\$581</u>	<u>\$581</u>

Interfund balances result 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.

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.

There were no interfund transfers at June 30, 2014.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Not being depreciated:				
Land improvements	\$24,224	\$ -	\$ -	\$24,224
Being depreciated:				
Building	79,794	-	-	79,794
Subtotal	104,018	-	-	104,018
Less accumulated depreciation	(25,934)	(1,995)	-	(27,929)
Total	<u>\$78,084</u>	<u>(\$1,995)</u>	<u>\$ -</u>	<u>\$76,089</u>

Depreciation was charged to the Township's functions as follows:

Unallocated	<u>\$1,995</u>
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NOTE 7: PENSION PLAN

The Pleasantview Township Group Pension Plan is a defined contribution pension plan which is administered and maintained by a life insurance company. The Township provides pension benefits for all township board members, liquor inspectors and the zoning administrator through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Township Board, the Township contributes 10.0% of employees' base earnings. Employees may contribute 1% to 90% percent of their salary to the plan. The contributions and interest allocated to the employee's account are fully vested immediately. In accordance with these requirements, the Township required contribution was \$4,664.

PLEASANTVIEW TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

Pleasantview Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The Township continues to carry commercial insurance for all other risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: COMMITMENT

In April 2003, The Township Board passed a resolution, as required by the Michigan Department of Environmental Quality, to assume the operation and maintenance of the newly constructed wastewater collection and treatment system at the Trout Creek Condominium Association (the "Association"), which is located within the Township. If the Association fails to appropriately maintain the system, the Township would be required to assume this responsibility. As of June 30, 2014, there is no indication that the Association is not properly maintaining the system.

NOTE 10: SUBSEQUENT EVENTS

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through March 27, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**PLEASANTVIEW TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$ 196,500	\$ 196,500	\$ 193,510	\$ (2,990)
Swampland taxes	10,000	10,000	10,037	37
Property taxes - administrative fee	34,000	34,000	30,739	(3,261)
Summer school collection	6,200	6,200	6,199	(1)
Total taxes	246,700	246,700	240,485	(6,215)
State shared revenues:				
State shared revenues	50,000	50,000	61,370	11,370
State shared revenues-METRO Act	-	-	3,792	3,792
Liquor fees	5,400	5,400	5,402	2
Total state shared revenues	55,400	55,400	70,564	15,164
Charges for services:				
Zoning fees	350	350	780	430
School elections	-	-	2,413	2,413
Cemetary fees	-	-	550	550
Total charges for services	350	350	3,743	3,393
Interest	1,000	1,000	934	(66)
Other	5,000	5,000	438	(4,562)
TOTAL REVENUES	\$ 308,450	\$ 308,450	\$ 316,164	\$ 7,714

**PLEASANTVIEW TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
EXPENDITURES:				
LEGISLATIVE				
Township board	\$ 8,000	\$ 8,500	\$ 6,484	\$ 2,016
GENERAL GOVERNMENT				
Supervisor	14,940	14,940	13,020	1,920
Assessor	26,740	26,740	25,567	1,173
Elections	2,600	3,300	3,268	32
Board of Review	2,210	2,210	2,018	192
Clerk	11,644	11,644	11,019	625
Treasurer	19,894	23,894	19,624	4,270
Legal and professional	5,500	5,500	3,424	2,076
Planning and zoning	17,842	17,842	15,145	2,697
Township property	61,060	55,860	39,929	15,931
Cemetery	1,250	1,250	1,625	(375)
TOTAL GENERAL GOVERNMENT	163,680	163,180	134,639	28,541
PUBLIC SAFETY				
Fire service	27,000	27,000	27,863	(863)
Liquor inspections	5,070	5,070	5,161	(91)
TOTAL PUBLIC SAFETY	32,070	32,070	33,024	(954)
PUBLIC WORKS				
Highways and streets	85,000	85,000	79,549	5,451
Airport	3,000	3,000	2,710	290
TOTAL PUBLIC WORKS	88,000	88,000	82,259	5,741
LIBRARY	2,500	2,500	2,469	31
OTHER FUNCTIONS				
Insurance and bonds	6,600	6,600	4,518	2,082
Social Security	7,600	7,600	4,510	3,090
TOTAL OTHER FUNCTIONS	14,200	14,200	9,028	5,172
TOTAL EXPENDITURES	308,450	308,450	267,903	40,547
NET CHANGE IN FUND BALANCE	-	-	48,261	(48,261)
FUND BALANCE - BEGINNING OF YEAR	456,021	456,021	456,021	-
FUND BALANCE - END OF YEAR	\$ 456,021	\$ 456,021	\$ 504,282	\$ (48,261)



Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

March 27, 2015

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Pleasantview Township
Emmet County, Michigan

I have audited the financial statements of the governmental activities and the major fund of Pleasantview Township for the year ended June 30, 2014. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated November 20, 2014. Professional standards also require that I communicate to you the following information related to my 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 Pleasantview 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 the year ended June 30, 2014. I 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 estimate affecting the financial statements was the determination of depreciation expense. Management's estimate of depreciation expense is based on the estimated lives of the capital assets. I evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated March 27, 2015.

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 the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Pleasantview Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Pleasantview Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Pleasantview Township
March 27, 2015
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Additionally I have presented other matters for your consideration in the same letter dated March 27, 2015.

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

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

Sincerely,



Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC



*Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants*

March 27, 2015

COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES IN
INTERNAL CONTROL AND OTHER MATTERS

Township Board
Pleasantview Township
Emmet County, Michigan

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

My 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified a certain deficiency in internal control that I consider to be a material weakness and two other deficiencies that I consider to be significant deficiencies.

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. I consider the following deficiency in Pleasantview Township's internal control to be a material weakness:

Financial Statement Preparation

Pleasantview Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in Pleasantview Township's internal control to be significant deficiencies:

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Pleasantview Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

In addition, I noted other matters for your consideration:

Budgeting

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2014 Pleasantview Township incurred expenditures, which exceeded the amount appropriated for the General Fund, as shown in the body of the financial statements.

Though the Board is reviewing the budget as compared to expenditures, I suggest that the Township Board on a periodic basis, closely review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

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

Sincerely,



Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC