

FINANCIAL REPORT
Readmond Township
June 30, 2014

**Readmond Township
FINANCIAL REPORT
June 30, 2014**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	i-iv
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	9
Fiduciary Funds:	
Statement of Fiduciary Net Position	10
Notes to Financial Statements	11-19

October 30, 2014

Independent Auditors' Report

Township Board
Readmond Township, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Readmond Township, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Readmond Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the Township's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position displays all of the Township's assets and liabilities, with the difference reported as *net position*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public works, recreation and culture, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on the major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year.

The fiduciary fund is also presented; separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the government-wide financial statements.

Readmond Township maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund. These are the governmental funds, which are considered to be major funds.

Notes to the Financial Statements

The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the Township's net position as of June 30, 2014:

	Readmond Township Statement of Net Position June 30, 2014	
	Governmental Activities	
	2014	2012
Assets		
Current and other assets	\$ 420,823	\$ 554,504
Capital assets - net of accum. dep.	<u>892,167</u>	<u>900,236</u>
Total assets	<u>\$ 1,312,990</u>	<u>\$ 1,454,740</u>
Liabilities		
Current liabilities	<u>\$ 6,029</u>	<u>\$ 14,635</u>
Net Position		
Investment in capital assets	892,167	900,236
Unrestricted	<u>414,794</u>	<u>539,869</u>
Total net position	<u>1,306,961</u>	<u>1,440,105</u>
Total liabilities and net position	<u>\$ 1,312,990</u>	<u>\$ 1,454,740</u>

At the end of the fiscal year, Readmond Township is able to report positive balances in all categories of net position. The first portion of the Township's net position is its investment in capital assets (land, buildings/building improvements, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The remaining portion of net position – unrestricted net position – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities, which is summarized below:

**Readmond Township
Statement of Activities
Year Ended June 30, 2014**

	Governmental Activities	
	2014	2012
Revenue		
Program revenue:		
Charges for services	\$ 3,170	\$ 5,153
Operating grants and contributions	10,000	-
General revenue:		
Property taxes	209,427	221,618
State shared revenues	45,164	43,996
Interest	454	2,372
Other	1,424	660
Total revenues	269,639	273,799
Function/Program Expenses		
General government	85,565	101,797
Public works	211,982	143,090
Community & econ. develop.	2,945	4,655
Recreation and culture	5,224	5,001
Other	10,873	11,795
Depreciation (unallocated)	13,074	13,710
Total expenses	329,663	280,048
Change in net position	(60,024)	(6,249)
Net position - beginning of year	1,366,985	1,446,390
Net position - end of year	\$ 1,306,961	\$ 1,440,141

As reported above, the Township recorded \$329,663 of expenses. The Township's governmental activities were funded primarily with property tax revenues.

The Township experienced a decrease in net position of \$ 60,024, mainly due to the large amount of road work that was done within the Township during the year.

Financial Analysis of the Township's Fund

Overall the governmental funds had a net decrease in fund balance over the prior year. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, and tax collection.

Long-Term Debt

No new debt was incurred during the year, nor is there any other long-term debt.

Budgetary Highlights

General fund expenditures were \$60,825 less than budgeted. Expenditures for road upgrades and road dust control all significantly less than budgeted.

Known Factors Affecting Future Operations

Final payments for road projects are due in November and December 2014. We will be decreasing our accumulated General Fund balance to help pay these costs. Limited funds will be available for road work in 2015.

We expect some pay increases for the Supervisor and Treasurer.

Capital Assets

At June 30, 2014, the Township had \$892,167 invested in capital assets. The following table summarizes the capital asset activity for the year:

	Readmond Township			
	Year Ended June 30, 2014			
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Land	\$ 548,048	\$ -	\$ 4,546	\$ 543,502
Buildings and improvements	437,608	7,900	-	445,508
Equipment	5,354	10,736	-	16,090
Furniture & fixtures	<u>7,909</u>	<u>-</u>	<u>-</u>	<u>7,909</u>
Total capital assets	998,919	18,636	4,546	1,013,009
Less accum. depreciation	<u>107,768</u>	<u>13,074</u>	<u>-</u>	<u>120,842</u>
Net capital assets	<u>\$ 891,151</u>	<u>\$ 5,562</u>	<u>\$ 4,546</u>	<u>\$ 892,167</u>

Financial Contact

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Clerk, Readmond Township.

READMOND TOWNSHIP
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 404,240
Due from other governments	7,218
Due from other funds	5,079
Prepaid expenses	4,286
	<hr/>
Total current assets	420,823
	<hr/>
Noncurrent Assets	
Nondepreciable-land	543,502
Depreciable	469,507
Less: accumulated depreciation	(120,842)
	<hr/>
Total noncurrent assets	892,167
	<hr/>
Total assets	\$ 1,312,990
	<hr/> <hr/>
<u>Liabilities and Net Position</u>	
Current Liabilities	
Accounts payable	\$ 5,500
Accrued expenditures	529
	<hr/>
Total current liabilities	6,029
	<hr/>
Net Position	
Investment in capital assets	892,167
Unrestricted	414,794
	<hr/>
Total net position	1,306,961
	<hr/>
Total liabilities and net position	\$ 1,312,990
	<hr/> <hr/>

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

READMOND TOWNSHIP
Statement of Activities
Year Ended June 30, 2014

		Program Revenues		Net Revenue (Expense) and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 85,565	\$ 3,170	\$ -	\$ (82,395)
Public works	211,982	-	10,000	(201,982)
Community & economic development	2,945	-	-	(2,945)
Recreation and cultural	5,224	-	-	(5,224)
Other	10,873	-	-	(10,873)
Depreciation (unallocated)	13,074	-	-	(13,074)
	<u>\$ 329,663</u>	<u>\$ 3,170</u>	<u>\$ 10,000</u>	<u>\$ (316,493)</u>
General Revenues:				
Property taxes				209,427
State shared revenues				45,164
Interest				454
Other				1,424
				<u>256,469</u>
Change in net position				(60,024)
Net position - beginning of year				1,366,985
Net position - end of year				\$ 1,306,961

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

READMOND TOWNSHIP
Governmental Funds
Balance Sheet
June 30, 2014

<u>Assets</u>	<u>General</u>
Cash	\$ 404,240
Due from other governments	7,218
Due from Agency Fund	5,079
Prepaid expenses	4,286
	4,286
Total assets	\$ 420,823
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts payable	\$ 5,500
Accrued expenditures	529
	5,500
Total liabilities	6,029
Fund balances	
Nonspendable:	
Prepays	4,286
Unassigned	410,508
	410,508
Total fund balances	414,794
Total liabilities and fund balances	\$ 420,823

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

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position
June 30, 2012

Total Fund Balances - Governmental Funds \$ 414,794

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 are not reported in the governmental funds
balance sheet

Cost of capital assets	1,013,009
Accumulated depreciation	<u>(120,842)</u>
Total net position - governmental activities	<u><u>\$ 1,306,961</u></u>

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

READMOND TOWNSHIP
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	General
Revenues:	
Taxes	\$ 209,427
State revenue	45,164
Charges for service	3,170
Interest	454
Grants and contributions	10,000
Other	1,424
	269,639
 Expenditures:	
Current:	
General government	85,565
Public works	211,982
Community & economic development	2,945
Recreation & culture	5,224
Other	10,873
Capital outlay	18,636
	335,225
Total expenditures	335,225
Excess (deficiency) of revenues over expenditures	(65,586)
 Other financing sources (uses)	
Sale of land	4,546
	4,546
Net change in fund balance	(61,040)
Fund balances - beginning of year	475,834
Fund balances - end of year	\$ 414,794

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

READMOND TOWNSHIP
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ (61,040)

Amounts reported for governmental activities in the statement of net position are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	18,636
Current year depreciation expense	(13,074)
Net book value of capital assets sold	<u>(4,546)</u>
Change in net position - governmental activities	<u><u>\$ (60,024)</u></u>

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

READMOND TOWNSHIP
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Taxes	\$ 225,000	\$ 225,000	\$ 209,427	\$ (15,573)
State revenue	25,000	25,000	45,164	20,164
Charges for services	5,400	5,400	3,170	(2,230)
Interest	2,200	2,200	454	(1,746)
Grants and contributions	-	-	10,000	10,000
Other	500	500	1,424	924
Total revenues	<u>258,100</u>	<u>258,100</u>	<u>269,639</u>	<u>11,539</u>
Expenditures:				
Current:				
General government:				
Trustees	6,700	6,700	6,568	(132)
Supervisor	17,150	17,150	11,519	(5,631)
Clerk	16,050	16,050	14,561	(1,489)
Board of review	1,450	1,450	811	(639)
Treasurer	13,500	13,500	13,645	145
Assessor	13,300	13,300	15,632	2,332
Elections	2,500	2,500	1,321	(1,179)
Building and grounds	15,000	15,000	14,973	(27)
Attorney	2,000	2,000	-	(2,000)
Cemetery	1,000	1,000	2,954	1,954
Unallocated	8,400	8,400	3,581	(4,819)
Total general government	<u>97,050</u>	<u>97,050</u>	<u>85,565</u>	<u>(11,485)</u>
Public works:				
Spring clean-up	5,000	5,000	5,112	112
Road upgrades	240,000	240,000	197,142	(42,858)
Road dust control	17,500	17,500	9,728	(7,772)
Total public works	<u>262,500</u>	<u>262,500</u>	<u>211,982</u>	<u>(50,518)</u>
Community & economic development:				
Planning	5,350	5,350	2,945	(2,405)
Recreation & culture:				
Parks & recreation	4,200	4,200	3,481	(719)
Library	1,750	1,750	1,743	(7)
Total recreation & culture	<u>5,950</u>	<u>5,950</u>	<u>5,224</u>	<u>(726)</u>
Other:				
Insurance & bonds	7,500	7,500	6,661	(839)
Payroll taxes	5,500	5,500	4,212	(1,288)
Total other	<u>13,000</u>	<u>13,000</u>	<u>10,873</u>	<u>(2,127)</u>
Capital outlay	12,200	12,200	18,636	6,436
Total expenditures	<u>396,050</u>	<u>396,050</u>	<u>335,225</u>	<u>(60,825)</u>
Other financing sources (uses):				
Proceeds from sale of land	-	-	4,546	4,546
Net change in fund balance	<u>(137,950)</u>	<u>(137,950)</u>	<u>(61,040)</u>	<u>76,910</u>
Fund balance - beginning of year	<u>475,834</u>	<u>475,834</u>	<u>475,834</u>	<u>-</u>
Fund balance - end of year	<u>\$ 337,884</u>	<u>\$ 337,884</u>	<u>\$ 414,794</u>	<u>\$ 76,910</u>

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

READMOND TOWNSHIP
Fiduciary Fund
Statement of Fiduciary Net Position
June 30, 2014

	<u>Agency Fund</u>
Assets	
Cash	\$ 5,079
	<u>5,079</u>
Liabilities	
Due to General Fund	\$ 5,079
	<u>5,079</u>

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

READMOND TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Readmond Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law; public works, community and economic development ,recreation and culture and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Readmond Township:

REPORTING ENTITY

Criteria for determining if other entities are potential component units which should be reported within the Township's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Township is financially accountable and other organizations that the nature and significance of their relationship with the Township are such that exclusion would cause the Township's basic financial statements to be misleading or incomplete. The Township has no component units.

Joint Operations:

Middle Village Park – The Middle Village Park was created by a joint agreement between Friendship Township and Readmond Township to acquire certain real property located in Readmond Township for the purpose of creating lakeshore recreational facilities. Each township provided a total of \$119,370 for land acquisition that was matched with \$716,219 of State of Michigan funding. The State of Michigan has retained a 75% interest in all minerals in and under such land. The property was deeded to Readmond Township with an off-deed agreement transferring a 50% ownership interest in the real estate to Friendship Township. A five-member committee manages the park. The committee consists of a representative each of Readmond Township, Friendship Township, the Little Traverse Bay Band of Odawa Indians, and two representatives of the Greater Good Hart Association. The Middle Village Park Committee is required to adopt an annual operating budget approved by Readmond Township, Friendship Township, and the Tribal Council of Little Traverse Bay Band of Odawa Indians. Under the operating agreement, funding is to be provided by the Townships and the Indian Band. Friendship Township performs administrative functions for the Park and is custodian of its assets, thus the Middle Village Park is included in the audited financial statements of Friendship Township and not as part of Readmond Township's financial statements. A summary of Friendship Township's audited financial information of Middle Village Park is presented below. Complete financial statements of the Middle Village Park can be obtained from the Friendship Township's office.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Joint Operations - Continued

The most current audited financial information of the Township as of and for the year ended March 31, 2012 is as follows:

Total assets	<u>\$ 17,452</u>
Total fund equity	<u>\$ 17,452</u>
Total revenue	\$ 1,216
Total expenditures	<u>6,596</u>
Net increase (decrease) in fund equity	<u>\$ (5,380)</u>

BASIC FINANCIAL STATEMENTS – OVERVIEW

The Township’s basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township’s major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are 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.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township’s net position resulting from the current year’s activities.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township’s net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which includes charges for services, operating grants and capital grants.

The program revenues must be directly associated with the 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 not properly included among program revenues are reported as general revenue.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business-type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds.

Governmental Fund

The following is a description of the major governmental fund of the Township:

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.

Fiduciary Funds

The Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting; however report only assets and liabilities.

Agency Fund – The Agency Fund accounts for the collection and payments of property tax levies.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/ expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

BASIS OF ACCOUNTING – CONTINUED

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

The agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND FUND BALANCES

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Position of the government-wide financial statements.

Capital Assets

Capital assets, which include property, buildings and equipment and infrastructure assets are reported in the Statement of Net Position in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are greater than \$500. Capital 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND FUND BALANCES – CONTINUED

Capital Assets - Continued

Property, buildings and equipment are depreciated using the straight-line method over the following useful lives:

Buildings & improvements	35 years
Equipment	5-10 years

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Township’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Township Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

ASSETS, LIABILITIES, AND FUND BALANCES – CONTINUED

Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the operating fund of the Township except for the agency fund. Budgetary control is legally maintained at the fund level.

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

1. Prior to July 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. The budget for the General Fund is adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Township is required under Public Act 621 to adopt a budget for the General Fund. The Township did not incur an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH AND INVESTMENTS

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 3: CASH AND INVESTMENTS - CONTINUED

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2014, the carrying amount of the Township's deposits, including the fiduciary fund, was \$409,319 and the bank balance was \$409,988. Of the above balance in cash, \$401,001 was covered by federal depository insurance. The remaining amount was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances throughout the year.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the Township. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year in which they are levied. Property taxes are recognized as revenue in the fiscal year they are levied.

The 2013 total taxable valuation of the Township as of April 18, 2013 was \$67,210,828, on which taxes levied consisted of 3.00 mills for operating purposes, which are recognized in the General Fund.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The inter-fund balances within the Township are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 5,079	\$ -
Agency Fund	-	5,079
	\$ 5,079	\$ 5,079

The inter-fund balances are loaned to the fiduciary fund to keep its checking accounts open and consist of interest earned. The entire balance is not expected to be paid back within one year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 6: CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 548,048	\$ -	\$ 4,546	\$ 543,502
Capital assets being depreciated:				
Buildings & improvements	437,608	7,900	-	445,508
Equipment	5,354	10,736	-	16,090
Furniture & fixtures	7,909	-	-	7,909
Subtotal	450,871	18,636	-	469,507
Less accumulated depreciatoin:				
Buildings & improvements	94,958	12,503	-	107,461
Equipment	5,354	145	-	5,499
Furniture & fixtures	7,456	426	-	7,882
Subtotal	107,768	13,074	-	120,842
Net capital assets being depreciated:	343,103	5,562	-	348,665
Governmental activities net capital assets	\$ 891,151	\$ 5,562	\$ 4,546	\$ 892,167

Depreciation expense was unallocated between functions in the statement of net position.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 7: FUND BALANCE CLASSIFICATIONS

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2014 are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Prepays		\$ 4,286
Unassigned		
General Fund		410,608
		\$ 414,894

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township belongs to the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

The Township also belongs to the Michigan Municipal Worker’s Compensation and Liabilities Fund, a public entity risk pool currently operating as a common risk managements and worker’s compensation insurance program for various municipalities throughout the state. The Township pays an annual premium for its worker’s compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Communication of Significant Deficiencies and Material Weaknesses

October 30, 2014

To the Township Board
Readmond Township
Emmet County, Michigan

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Readmond Township's internal control to be material weaknesses:

Financial Statement Preparation: The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. According to issued auditing standards, this inability to prepare financial statements in accordance with generally accepted accounting principles is an indicator of a significant deficiency and a strong indicator of a material weakness in internal control. This is common of many smaller entities.

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. We consider the following deficiencies in Readmond Township's internal control to be significant deficiencies:

Budgeting: The Township is required to comply with the Uniform Budgeting and Accounting Act as described below:

The Appropriation act stated in the minutes should include: beginning estimated fund balance, revenues by source, expenditures and estimated ending fund balance.

The budget document should include columns for:

- Actual amounts of revenue and expenditures for the most recently completed year.
- Estimated revenues and expenditures for the current year.
- Estimated revenues and expenditures for the year being budgeted.

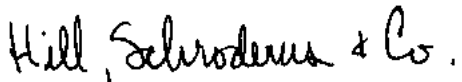
Each column should have beginning fund and ending fund balance (sum of beginning fund balance plus estimated revenue minus estimated expenditures).

Any excess or deficiency would be added to or changed against the beginning fund balance.

The budget should be monitored during the year and amended in the body of the minutes.

Capitalization Policy: The Township does not have a formal capitalization policy. We recommend that the Township formally approve a capitalization amount, such as \$500, which was used to prepare the financial statements. All assets costing more than that would be booked to the capital outlay account and any costing less than that amount would be booked to supplies or another account, as appropriate. Additionally, it is recommended that the Township review the State's capitalization guidelines (i.e. assets that should be capitalized vs. those that would be expensed), such as repairs and maintenance.

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



Hill, Schroderus & Co., LLP
Certified Public Accountants

Communication with Those Charged with Governance

October 30, 2014

Township Board
Readmond Township
Emmet County, Michigan

We have audited the financial statements of the governmental activities, and the major fund of the Readmond Township for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 5, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Readmond 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 fiscal year ending June 30, 2014. We noted no transactions entered into by the Township 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 Readmond Township's financial statements was:

Management's estimate of the depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Insurance expense in the amount of \$1,414 was uncorrected. Management has determined that the effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The material misstatements detected as a result of audit procedures were to adjust the records from a cash basis to the modified accrual basis of accounting.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

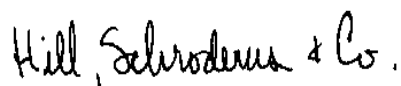
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,



Hill, Schroderus & Co., LLP