

TOWNSHIP OF WILSON, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Wilson, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson, Michigan (the "Township") as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Wilson, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, on our consideration of the Township of Wilson, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Wilson, Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, Michigan
September 5, 2014

Management's Discussion and Analysis

As management of the Township of Wilson, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$661,072 (net position). Of this amount, \$341,463 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$484,503, an increase of \$80,876 in comparison with the prior year. Approximately 70% of this amount (\$341,463) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$341,463, or approximately 184% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and capital asset and long-term debt activity).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, fire protection, road maintenance, and culture and recreation. The township does not report any business-type activities.

The government-wide financial statements can be found on pages 14 - 15 of this report.

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

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

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

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the fire fund, and the roads fund, which are considered to be major funds. Data from the liquor and sewer debt funds are presented as a separate column as they are considered nonmajor funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide

financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements. The Township has one type of fiduciary fund, an *agency fund*.

The *agency fund* reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

The basic fiduciary fund financial statement can be found on page 20 of this report.

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

The notes to the financial statements can be found on pages 21 – 29 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules.

Required supplementary information can be found on pages 31 – 33 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 35 – 36 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$661,072, at the close of the most recent fiscal year.

Township of Wilson Statement of Net Position as of March 31, 2014 and March 31, 2012

	Governmental Activities	
	2014	2012
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 462,511	\$ 308,079
Taxes Receivable	17,562	20,725
Due from State	21,250	-
Due from Agency Fund	1,000	-
Due from County	1,183	-
Total Current Assets	503,506	328,804
<i>Noncurrent Assets</i>		
Capital Assets (Net)	176,569	184,384
Total Assets	680,075	513,188
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	9,748	5,318
Accrued Payroll & Related Liabilities	9,255	-
Bonds Payable	-	13,000
Total Current Liabilities	19,003	18,318
Total Liabilities	19,003	18,318
NET POSITION		
Net Investment in Capital Assets	176,569	171,384
Restricted	143,040	11,197
Unrestricted	341,463	312,289
Total Net Position	\$ 661,072	\$ 494,870

One of the largest portions of the Township's net position (\$176,569, or 27% of total net position) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$143,040, or 21% of total net position) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$341,463 (52%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Since March 31, 2012, the Township has elected to properly record state revenue sharing receivable and accrued payroll liabilities. Accordingly, this led to a one-time increase in state revenue sharing receivable of \$21,250 and an increase in accrued payroll liabilities of \$9,255 as of March 31, 2014.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$78,435 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

Township of Wilson
Change in Net Position for Fiscal Years Ended
March 31, 2014 and March 31, 2012

	Governmental	
	Activities	
	2014	2012
Revenue		
Program Revenues		
Charges for Services	\$ 3,245	\$ 6,556
Operating Grants & Contributions	3,446	-
<i>Total Program Revenues</i>	6,691	6,556
General Revenues		
Taxes	213,189	209,281
State Sources	145,959	140,168
Other	13,594	4,311
Investment Income	699	1,079
<i>Total General Revenues</i>	373,441	354,839
<i>Total Revenues</i>	380,132	361,395
Expenses		
General Government	119,569	125,491
Public Safety	39,423	36,336
Public Works	61,357	240,241
Health & Welfare	22,345	18,393
Community & Economic Development	47,350	45,889
Recreation & Culture	5,064	5,012
Other Functions	6,589	1,549
<i>Total Expenses</i>	301,697	472,911
<i>Change in Net Position</i>	78,435	(111,516)
<i>Net Position at the Beginning of Period</i>	<i>582,637</i>	<i>606,386</i>
<i>Net Position at the End of Period</i>	\$ 661,072	\$ 494,870

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$78,435 from the prior fiscal year for an ending balance of \$661,072. While the trend of flat or modestly increased property tax and state sales tax revenues certainly had an impact on the Township, management was able to take various actions (e.g., delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The increase in net position of the governmental activities is consistent with prior years, with one exception. The road fund had no major expenditures for road repair or maintenance in the current year.

Financial Analysis of Governmental Funds

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

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

At March 31, 2014, the Township's governmental funds reported combined fund balances of \$484,503, an increase of \$80,876 in comparison with the prior year. Approximately 70% of this amount (\$341,463) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* to indicate that it is restricted for the purposes of the original millage (\$143,040).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$341,463. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 184 percent of total general fund expenditures.

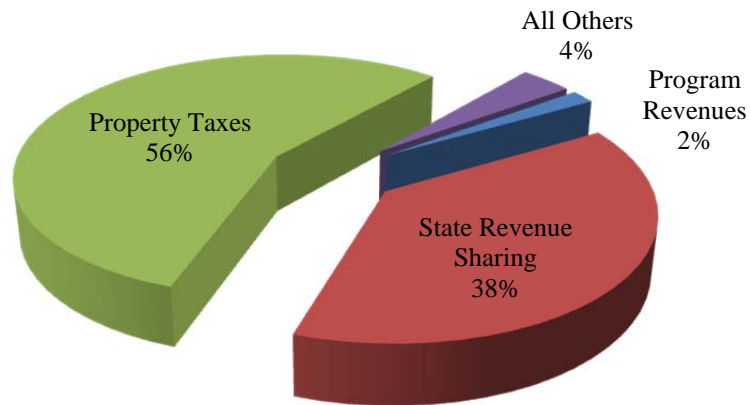
The fire fund, a major fund, had a \$3,295 increase in fund balance during the current fiscal year which put the overall fund balance at \$101,122. The increase in fund balance is consistent with the previous fiscal year as well as the budget for the current year as adopted by the Township Board.

The roads fund, a major fund, had a \$12,066 increase in fund balance during the current fiscal year which put the overall fund balance at \$29,506. The increase in fund balance is consistent with the previous fiscal year as well as the budget for the current year as adopted by the Township Board.

Governmental Activities

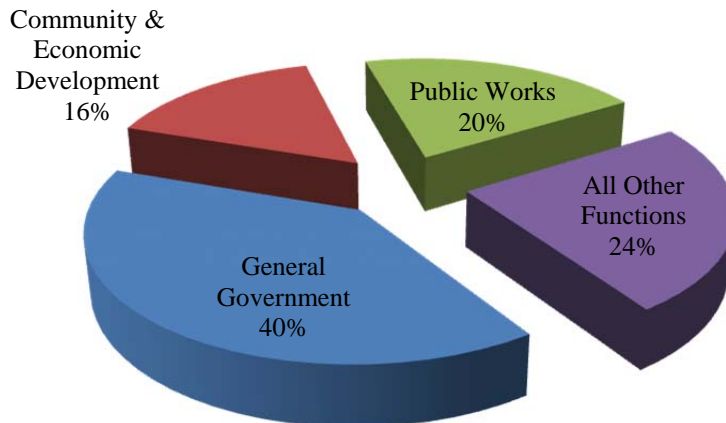
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original estimated revenues or expenditures.

Final budget compared to actual results. During the current fiscal year the Township had the no budget variances between the amended budget compared to actual results.

Capital Assets and Debt Administration

Capital assets

The Township's investment in capital assets for its governmental as of March 31, 2014, amounts to \$176,569 (net of accumulated depreciation). This investment in capital assets includes land, building & improvements, and equipment. A two-year summary of the Township's capital assets follows:

	2014	2013
Land	\$ 78,931	\$ 78,931
Building & Improvements	90,377	94,515
Equipment	7,261	5,564
Totals	\$ 176,569	\$ 179,010

More detailed information regarding the Township's capital assets can be found in note 4 of the notes to the financial statements.

Long-term Debt

The township has no debt outstanding as of year end.

Economic Condition and Outlook

Management estimates that roughly \$250,000 of revenues will be available for appropriation in the general fund for the upcoming budget year. Expenditures are expected to change by small amounts compared to 2014. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. State revenue sharing revenues are trending toward a modest increase in future years as well. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Wilson
2530 Fall Park Rd
Boyne City, MI 49712

**Township of Wilson
Statement of Net Position
March 31, 2014**

	Primary Government Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 462,511
Taxes Receivable	17,562
Due from State	21,250
Due from Agency Fund	1,000
Due from County	1,183
Total Current Assets	503,506
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	78,931
Capital Assets being Depreciated	97,638
Total Assets	680,075
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	9,748
Accrued Payroll & Related Liabilities	9,255
Total Current Liabilities	19,003
<i>Noncurrent Liabilities</i>	
Total Liabilities	19,003
NET POSITION	
Net Investment in Capital Assets	176,569
<i>Restricted for:</i>	
Public Works	29,506
Capital Improvements	101,122
Debt Service	12,412
<i>Unrestricted</i>	341,463
Total Net Position	\$ 661,072

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Wilson
Statement of Activities
For the Year Ended March 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government					
Governmental Activities:					
General Government	\$ 119,569	\$ 3,145	\$ --	\$ --	\$ (116,424)
Public Safety	39,423	100	--	--	(39,323)
Public Works	61,357	--	3,446	--	(57,911)
Health & Welfare	22,345	--	--	--	(22,345)
Community & Economic Development	47,350	--	--	--	(47,350)
Recreation & Culture	5,064	--	--	--	(5,064)
Other Functions	6,589	--	--	--	(6,589)
<i>Total Primary Government</i>	<u>\$ 301,697</u>	<u>\$ 3,245</u>	<u>\$ 3,446</u>	<u>\$ --</u>	<u>\$ (295,006)</u>

General Purpose Revenues and Transfers:

Revenues

Taxes	213,189
State Sources	145,959
Other	13,594
Investment Income	699

Total General Revenues and Transfers 373,441

Change in Net Position 78,435

Net Position at Beginning of Period 582,637

Net Position at End of Period \$ 661,072

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Wilson
Balance Sheet
Governmental Funds
March 31, 2014**

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Roads</u>		
ASSETS					
Cash & Cash Equivalents	\$ 322,776	\$ 104,346	\$ 24,160	\$ 11,229	\$ 462,511
Taxes Receivable	6,870	5,346	5,346	--	17,562
Due from State	21,250	--	--	--	21,250
Due from Agency Fund	1,000	--	--	--	1,000
Due from County	--	--	--	1,183	1,183
Total Assets	<u>351,896</u>	<u>109,692</u>	<u>29,506</u>	<u>12,412</u>	<u>503,506</u>
LIABILITIES					
Accounts Payable	\$ 1,178	\$ 8,570	\$ --	\$ --	\$ 9,748
Accrued Payroll & Related Liabilities	9,255	--	--	--	9,255
Total Liabilities	<u>10,433</u>	<u>8,570</u>	<u>--</u>	<u>--</u>	<u>19,003</u>
FUND BALANCE					
Restricted	--	101,122	29,506	12,412	143,040
Unassigned	341,463	--	--	--	341,463
Total Fund Balance	<u>341,463</u>	<u>101,122</u>	<u>29,506</u>	<u>12,412</u>	<u>484,503</u>
Total Liabilities and Fund Balance	<u>\$ 351,896</u>	<u>\$ 109,692</u>	<u>\$ 29,506</u>	<u>\$ 12,412</u>	<u>\$ 503,506</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Wilson
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2014

Total Fund Balance - Governmental Funds	\$ 484,503
General government capital assets of \$277,117, net of accumulated depreciation of \$100,548, are not financial resources and, accordingly, are not reported in the funds.	176,569
Total Net Position - Governmental Funds	\$ <u>661,072</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Wilson
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2014

	<u>Special Revenue</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Roads</u>		
Revenues					
Taxes	\$ 84,521	\$ 64,334	\$ 64,334	\$ --	\$ 213,189
Licenses & Permits	2,370	--	--	--	2,370
State Sources	145,230	--	--	729	145,959
State Grants	3,446	--	--	--	3,446
Charges for Services	875	--	--	--	875
Other	7,678	--	--	5,916	13,594
Investment Income	689	--	--	10	699
Total Revenues	244,809	64,334	64,334	6,655	380,132
Expenditures					
General Government	114,698	--	--	--	114,698
Public Safety	--	38,694	--	729	39,423
Public Works	9,089	--	52,268	--	61,357
Health & Welfare	--	22,345	--	--	22,345
Community & Economic Development	46,692	--	--	--	46,692
Recreation & Culture	5,064	--	--	--	5,064
Other Functions	6,589	--	--	--	6,589
Capital Outlay	3,088	--	--	--	3,088
Total Expenditures	185,220	61,039	52,268	729	299,256
Excess of Revenues Over (Under) Expenditures	59,589	3,295	12,066	5,926	80,876
Net Change in Fund Balance	59,589	3,295	12,066	5,926	80,876
<i>Fund Balance at Beginning of Period</i>	281,874	97,827	17,440	6,486	403,627
Fund Balance at End of Period	\$ 341,463	\$ 101,122	\$ 29,506	\$ 12,412	\$ 484,503

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Wilson
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	80,876
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense of \$5,529 less capital outlay expenditures of \$3,088.

		(2,441)
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Changes in Net Position - Governmental Funds	\$	<u>78,435</u>
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**Township of Wilson
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2014**

	<u>Agency</u>
	<u>Tax</u>
ASSETS	
Cash & Cash Equivalents	\$ 1,105
<i>Total Assets</i>	<u>1,105</u>
LIABILITIES	
Due to Primary Government	1,000
Due to Other Units of Government	105
<i>Total Liabilities</i>	<u>1,105</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Wilson

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Wilson (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

The Township of Wilson is located in Charlevoix County. The Township operates under an elected Township Board of five members and provides services to its residents in many areas including general government, fire protection, road maintenance, and culture and recreation.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Wilson

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are 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 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Township of Wilson reports the following major governmental funds:

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

The ***fire fund*** accounts for the townships public safety functions. Funding is primarily through property taxes.

The ***roads fund*** accounts for the repair and maintenance on township roads. Funding is primarily through property taxes.

In addition the Township reports the following fund.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

Township of Wilson

Notes to the Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2014. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Township policy authorize the Township Treasurer to invest in investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Wilson Township Board of Trustees at the Board's organizational meeting after each regular election of trustees.

Township of Wilson

Notes to the Financial Statements

- Investment pools organized under the local government investment pool act, 1982 PA 367 129.11 to 129.118.

Investments

Investments are stated at fair market value in accordance with GASB Statement No. 31. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$500. 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Township of Wilson

Notes to the Financial Statements

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Method</u>	<u>Life</u>
Land	Straight Line	N/A
Buildings	Straight Line	40 Years
Building Improvements	Straight Line	10 - 40 Years
Equipment	Straight Line	3 - 10 Years

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Township of Wilson

Notes to the Financial Statements

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

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

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township's Board.

Revenues and Expenditures / Expenses

Property Tax Revenue Recognition

Township property taxes are levied on December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and accordingly, the total levy is recognized as revenue in the current year.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Excess of Expenditures over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

Township of Wilson

Notes to the Financial Statements

The Township had no actual expenditures in excess of appropriations during the year ended March 31, 2014.

Note 3 - Cash

The Township maintains pooled and individual fund demand deposits and certificates of deposit accounts for the primary government.

Following is a reconciliation of deposit balances as March 31, 2014:

	<u>Governmental Activities</u>
Statement of Net Position	
Cash and Cash Equivalents	\$ 462,511
Statement of Fiduciary Net Position	
Cash and Cash Equivalents	<u>1,105</u>
Total Deposits	<u>\$ 463,616</u>
Deposits and Investments	
Checking and Savings Accounts	<u>\$ 463,616</u>
Total	<u>\$ 463,616</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$83,220 of the Township's bank balance of \$463,940 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. 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.

Township of Wilson

Notes to the Financial Statements

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio.

Note 4 - Capital Assets

Capital asset activity for governmental activities for the year ended March 31, 2014 was as follows:

Governmental Activities	Balance At 3/31/2013	Additions	Disposals	Balance At 3/31/2014
Capital assets not being depreciated				
Land	\$ 78,931	\$ -	\$ -	\$ 78,931
Capital assets being depreciated				
Buildings & Improvements	165,526	-	-	165,526
Equipment	29,572	3,088	-	32,660
<i>Total capital assets being depreciated</i>	195,098	3,088	-	198,186
Less accumulated depreciation				
Buildings & Improvements	71,011	4,138	-	75,149
Equipment	24,008	1,391	-	25,399
<i>Total accumulated depreciation</i>	95,019	5,529	-	100,548
<i>Net capital assets</i>	\$ 179,010	\$ (2,441)	\$ -	\$ 176,569

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

Governmental Activities	
General Government	\$ 4,871
Recreation & Culture	658
<i>Total Governmental Activities</i>	\$ 5,529

Note 5 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past two fiscal years.

Township of Wilson

Notes to the Financial Statements

Note 6 – Subsequent Events

Management is not aware of any subsequent events as of September 5, 2014 that would have a material effect on the financial condition of the Township.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Wilson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 83,627	\$ 83,627	\$ 84,521	\$ 894
Licenses & Permits	600	600	2,370	1,770
State Sources	144,620	144,620	145,230	610
State Grants	3,000	3,000	3,446	446
Charges for Services	500	500	875	375
Other	1,000	1,000	7,678	6,678
Investment Income	650	650	689	39
Total Revenues	<u>233,997</u>	<u>233,997</u>	<u>244,809</u>	<u>10,812</u>
Expenditures				
General Government				
Legislative	33,950	33,950	23,940	10,010
Supervisor	13,450	13,549	12,327	1,222
Clerk	16,600	16,600	15,276	1,324
Treasurer	17,600	18,020	17,079	941
Assessor	27,600	29,100	28,840	260
Elections	5,350	5,350	1,768	3,582
Building & Grounds	6,880	9,880	9,261	619
Other General Government	7,800	7,800	6,207	1,593
Total General Government	<u>129,230</u>	<u>134,249</u>	<u>114,698</u>	<u>19,551</u>
Public Works	8,000	9,108	9,089	19
Community & Economic Development	50,832	50,854	46,692	4,162
Recreation & Culture	10,850	10,850	5,064	5,786
Other	7,000	7,000	6,589	411
Capital Outlay	--	3,088	3,088	--
Total Expenditures	<u>205,912</u>	<u>215,149</u>	<u>185,220</u>	<u>29,929</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>28,085</u>	<u>18,848</u>	<u>59,589</u>	<u>40,741</u>
Net Change in Fund Balance	<u>28,085</u>	<u>18,848</u>	<u>59,589</u>	<u>40,741</u>
Fund Balance at Beginning of Period	281,874	281,874	281,874	--
Fund Balance at End of Period	<u>\$ 309,959</u>	<u>\$ 300,722</u>	<u>\$ 341,463</u>	<u>\$ 40,741</u>

Township of Wilson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire
For the Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 64,627	\$ 64,627	\$ 64,334	\$ (293)
Total Revenues	<u>64,627</u>	<u>64,627</u>	<u>64,334</u>	<u>(293)</u>
Expenditures				
Fire	41,700	41,700	38,694	3,006
Ambulance	23,000	23,000	22,345	655
Total Expenditures	<u>64,700</u>	<u>64,700</u>	<u>61,039</u>	<u>3,661</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(73)</u>	<u>(73)</u>	<u>3,295</u>	<u>3,368</u>
Net Change in Fund Balance	(73)	(73)	3,295	3,368
Fund Balance at Beginning of Period	97,827	97,827	97,827	--
Fund Balance at End of Period	<u>\$ 97,754</u>	<u>\$ 97,754</u>	<u>\$ 101,122</u>	<u>\$ 3,368</u>

Township of Wilson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Roads
For the Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Taxes	\$ 64,627	\$ 64,627	\$ 64,334	\$ (293)
Total Revenues	<u>64,627</u>	<u>64,627</u>	<u>64,334</u>	<u>(293)</u>
Expenditures				
Brining	27,000	27,000	15,366	11,634
Road Maintenance	52,400	52,400	36,902	15,498
Total Expenditures	<u>79,400</u>	<u>79,400</u>	<u>52,268</u>	<u>27,132</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(14,773)</u>	<u>(14,773)</u>	<u>12,066</u>	<u>26,839</u>
Net Change in Fund Balance	(14,773)	(14,773)	12,066	26,839
<i>Fund Balance at Beginning of Period</i>	17,440	17,440	17,440	--
Fund Balance at End of Period	<u>\$ 2,667</u>	<u>\$ 2,667</u>	<u>\$ 29,506</u>	<u>\$ 26,839</u>

OTHER SUPPLEMENTARY INFORMATION

**Township of Wilson
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2014**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Debt</u>	<u>Liquor</u>	
ASSETS			
Cash & Cash Equivalents	\$ 11,229	\$ --	\$ 11,229
Due from County	1,183	--	1,183
<i>Total Assets</i>	<u>12,412</u>	<u>--</u>	<u>12,412</u>
LIABILITIES			
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE			
Restricted	12,412	--	12,412
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>12,412</u>	<u>--</u>	<u>12,412</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 12,412</u>	<u>\$ --</u>	<u>\$ 12,412</u>

Township of Wilson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2014

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Debt</u>	<u>Liquor</u>	
Revenues			
State Sources	\$ --	\$ 729	\$ 729
Other	5,916	--	5,916
Investment Income	10	--	10
<i>Total Revenues</i>	<u>5,926</u>	<u>729</u>	<u>6,655</u>
Expenditures			
Public Safety	--	729	729
<i>Total Expenditures</i>	<u>--</u>	<u>729</u>	<u>729</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,926</u>	<u>--</u>	<u>5,926</u>
<i>Net Change in Fund Balance</i>	5,926	--	5,926
<i>Fund Balance at Beginning of Period</i>	6,486	--	6,486
<i>Fund Balance at End of Period</i>	<u>\$ 12,412</u>	<u>\$ --</u>	<u>\$ 12,412</u>

September 5, 2014

To the Township Board
Township of Wilson

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson (the "Township") for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 June 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 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(s) affecting the Township's financial statements was:

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no 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. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- The general fund increased taxes receivable by \$6,870 to reconcile to the county settlement report for the final distribution of the 2013 tax roll and increased due from state by \$21,250 to account for the last state revenue sharing payment of the year. Both of these items were deposited after the end of the fiscal year. The general fund also increased its accounts payable and payroll liabilities by \$8,994 to properly record accrued expenditures.
- The fire fund increased taxes receivable by \$5,346 to reconcile to the county settlement report for the final distribution of the 2013 tax roll and increased accounts payable by \$8,570 to properly record accrued expenditures.
- The roads fund increased taxes receivable by \$5,346 to reconcile to the county settlement report for the final distribution of the 2013 tax roll.

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 September 5, 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 Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to

determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC
Grand Rapids, MI

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board
Township of Wilson

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Wilson, Michigan (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 deficiencies described in the accompanying schedule of findings and responses to be a material weakness (2014-1,-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township's Response to Findings

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gabridge & Company, PLC
Grand Rapids, Michigan
September 5, 2014

Township of Wilson

Schedule of Findings and Responses

Material Weaknesses

2014-1 – Preparation of Governmental Financial Statements

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

Condition/Finding: As is the case with many smaller and medium sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls. In addition, we proposed, and management approved, material journal entries to properly record taxes receivable, due from state, accounts payable, and payroll liabilities.

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

Effect: As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Township's records were initially misstated by an amount material to the financial statements.

View of Responsible

Officials: It is the Township's intent to improve upon the internal controls so that the financial statements are prepared in accordance with GAAP. The Township is working with the auditor to enable the Township to prepare GAAP financial statements internally.

Township of Wilson

Schedule of Findings and Responses

2014-2 – Segregation of Incompatible Duties

Criteria:	Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Township. A key element of internal control is the segregation of incompatible duties within the accounting function.
Condition/Finding:	The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include payroll, electronic payment transactions, journal entries, and cash reconciliations.
Cause:	This condition is a result of the limited size of the Township's accounting staff.
Effect:	As a result of this condition, the Township is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.
Recommendation:	While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.
View of Responsible Officials:	As a result of limited staffing, we cannot accomplish the desired segregation of duties. Management staff will provide increased oversight and review of operations to help deter inappropriate actions and potential fraud.