

WINTERFIELD TOWNSHIP, CLARE COUNTY

MARION, MICHIGAN

JUNE 30, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

JUNE 30, 2014

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October 14, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Winterfield Township
Clare County
Marion, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township, Clare County, Marion, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, 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 Winterfield Township, Clare County, Marion, Michigan as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 on pages iii through ix and 19 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

As management of Winterfield Township (“the Township”), 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 June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Township is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Township has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

Financial Highlights

- ◆ The assets of Winterfield Township exceeded its liabilities at the close of the most recent fiscal year by \$1,146,791 (*net position*). Of this amount, \$479,190 represents unrestricted net position, which may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township’s governmental funds reported a combined fund balance of \$915,184, an increase of \$88,332 in comparison with the prior year. \$479,190 of this amount is available for spending at the Township’s discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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, liabilities, and deferred inflows/outflows of resources, 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 periods.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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 significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, recreation and culture, and other functions.

The government-wide financial statements can be found on pages 1-2 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. Winterfield 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 statement, 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 funds 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 three 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, Garbage and Rubbish Collection Fund and Municipal Street Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for all required major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statement can be found on page 7 of this report.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Notes to 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 can be found on pages 8-18 of this report.

Other Information In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide 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 Winterfield Township, assets exceeded liabilities by \$1,146,791, at the close of the most recent fiscal year.

Winterfield Township
Net Position as of June 30, 2014

	Governmental Activities
Assets	
Current Assets	\$ 915,184
Non Current Assets	
Capital Assets	439,540
Less: Accumulated Depreciation	<u>(207,933)</u>
Total Non Current Assets	<u>231,607</u>
Total Assets	<u>1,146,791</u>
Liabilities	<u>0</u>
Net Position	
Net Investment in Capital Assets	231,607
Restricted for Specific Purposes	435,994
Unrestricted	<u>479,190</u>
Total Net Position	<u><u>\$ 1,146,791</u></u>

A portion of the Township's net position (\$231,607) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related outstanding debt that was used to acquire those assets.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township's net position (\$435,994) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$479,190 is unrestricted, which may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Winterfield Township's overall net position increased by \$72,554 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

Winterfield Township
Change in Net Position
for the Fiscal Year Ended June 30, 2014

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 2,218
Operating Grants and Contributions	32,245
General Revenues	
Taxes	162,703
State Grants	38,818
Interest Earnings	5,535
Other	443
Total Revenues	<u>241,962</u>
<u>Expenses</u>	
General Government	61,875
Public Safety	25,449
Public Works	68,217
Community and Economic Development	3,631
Recreation and Culture	459
Other Functions	9,777
Total Expenses	<u>169,408</u>
Change in Net Position	72,554
<u>NET POSITION</u> - Beginning of Year	<u>1,074,237</u>
<u>NET POSITION</u> - End of Year	<u>\$ 1,146,791</u>

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Governmental Activities The most significant portion of the revenue for all governmental activities of Winterfield Township comes from property taxes. The Township levied a millage for fire protection and emergency services, in addition to the operating millage, this fiscal year. The Township levied .9720 mills for operating purposes and 2.0 mills for road improvements. State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by public works and general government expenses. The Township spent \$68,217 in fiscal year 2013-2014 on public works expenses. General government represented the next largest expense at \$61,875, followed by public safety at \$25,449.

Financial Analysis of the Government's Funds

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

Governmental Funds The focus of Winterfield 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 requirement. 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 Board.

At June 30, 2014, Winterfield Township's governmental funds reported combined fund balance of \$915,184, an increase of \$88,332 in comparison with the prior year. \$479,190 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$435,994), 4) committed for particular purposes, or 5) assigned for particular purposes.

General Fund – The General Fund increased its fund balance by \$1,312 which brings the fund balance to \$479,190. All of this fund balance is unassigned. Tax related revenues amounted to \$66,015. State-shared revenues were collected in the amount of \$38,818. The Township typically operates a balanced budget and this was the case again in 2013-2014.

Garbage and Rubbish Collection Fund – The Rubbish Fund increased its fund balance by \$2,030 which brings the fund balance to \$22,233. Special assessments collected totaled \$27,775. Revenues collected were similar to expenses related to garbage collection, causing the minimal change in fund balance.

Municipal Street Fund – The Municipal Street Fund increased its fund balance by \$84,990 which brings the fund balance to \$413,761. During the fiscal year, the Township only expended resources on brining, which were significantly less than revenues collected, causing the increase in fund balance. The Township has plans to expend a significant amount of money on road improvement projects in 2014-2015.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

General Fund Budgetary Highlights

During the year, the Township amended its revenue budget to reflect a more accurate amount of property tax revenues. Additionally, the Township increased appropriations for Township Board to account for the purchase of land, increased appropriations for Building and Grounds to account for expenses related to the new internet tower and decreased appropriations for Contingencies.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 80,909	\$ 109,601	\$ 113,674
Total Expenditures	\$ 155,021	\$ 174,601	\$ 112,362

The variance between actual and budgeted revenues was minimal. The variance between actual and budgeted expenditures can be attributed to the fact that the Township did not expend any resources related to the internet tower as originally planned and also to the fact that the Township budgets for contingencies and did not need to appropriate the entire amount of contingencies during the year.

Capital Assets

The Township's investment in capital assets for governmental activities as of June 30, 2014, amounted to \$231,607 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Winterfield Township
Capital Assets as of June 30, 2014

	<u>Governmental Activities</u>
Land and Land Improvements	\$ 64,381
Buildings	70,804
Infrastructure	291,448
Equipment, Furniture and Fixtures	12,907
	<u>439,540</u>
Less Accumulated Depreciation	<u>(207,933)</u>
Net Capital Assets	<u>\$ 231,607</u>

During the year, the Township purchased a parcel of land at a cost of \$12,993.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2014

Economic Condition and Outlook

It appears that state-shared revenues and property taxable values have stabilized, stabilizing the largest revenue streams of the Township. The Township continues to look for ways to improve the services it provides to its resident in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the 2014-2015 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Winterfield Township at 11163 N. Strawberry Avenue, Marion, Michigan 49665.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 901,923
Due from External Parties (Fiduciary Fund)	1
Due from Other Governments	13,260
	<hr/>
Total Current Assets	915,184
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	64,381
Buildings	70,804
Infrastructure	291,448
Equipment, Furniture and Fixtures	12,907
	<hr/>
	439,540
Less Accumulated Depreciation	(207,933)
	<hr/>
Net Capital Assets	231,607
	<hr/>
TOTAL ASSETS	1,146,791
	<hr/>
<u>LIABILITIES</u>	0
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	231,607
Restricted for:	
Road Improvements	413,761
Garbage and Rubbish Disposal	22,233
Unrestricted	479,190
	<hr/>
TOTAL NET POSITION	\$ 1,146,791
	<hr/> <hr/>

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

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES)
		CHARGES FOR	OPERATING	REVENUES AND
		SERVICES	GRANTS AND	CHANGE IN
			CONTRIBUTIONS	NET POSITION
<u>GOVERNMENTAL ACTIVITIES</u>				
General Government	\$ 61,875	\$ 1,793	\$ 1,662	\$ (58,420)
Public Safety	25,449	0	0	(25,449)
Public Works	68,217	175	30,583	(37,459)
Community and Economic Development	3,631	250	0	(3,381)
Recreation and Culture	459	0	0	(459)
Other Functions	9,777	0	0	(9,777)
Total Governmental Activities	\$ 169,408	\$ 2,218	\$ 32,245	(134,945)
 <u>GENERAL REVENUES</u>				
Property Taxes				162,703
State Grants				38,818
Interest Earnings				5,535
Other				443
				72,554
Total General Revenues				207,499
Change in Net Position				72,554
<u>NET POSITION</u> - Beginning of Year				1,074,237
<u>NET POSITION</u> - End of Year				\$ 1,146,791

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

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2014

	GENERAL FUND	GARBAGE AND RUBBISH COLLECTION FUND	MUNICIPAL STREET FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 465,929	\$ 22,233	\$ 413,761	\$ 901,923
Due from Other Funds	1	0	0	1
Due from Other Governments	13,260	0	0	13,260
TOTAL ASSETS	<u>\$ 479,190</u>	<u>\$ 22,233</u>	<u>\$ 413,761</u>	<u>\$ 915,184</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>				
Restricted for:				
Road Improvements	0	0	413,761	413,761
Garbage and Rubbish Disposal	0	22,233	0	22,233
Unassigned	479,190	0	0	479,190
Total Fund Balance	<u>479,190</u>	<u>22,233</u>	<u>413,761</u>	<u>915,184</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 479,190</u>	<u>\$ 22,233</u>	<u>\$ 413,761</u>	<u>\$ 915,184</u>

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

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances for Governmental Funds \$ 915,184

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 64,381	
Buildings	70,804	
Infrastructure	291,448	
Equipment, Furniture and Fixtures	12,907	
Accumulated Depreciation	(207,933)	231,607

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,146,791

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

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2014

	GENERAL FUND	GARBAGE AND RUBBISH COLLECTION FUND	MUNICIPAL STREET FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 66,015	\$ 0	\$ 96,688	\$ 162,703
Licenses and Permits	250	0	0	250
Federal Grants	1,662	0	964	2,626
State Grants	38,818	0	1,844	40,662
Charges for Services	1,793	175	0	1,968
Interest and Rents	4,693	0	842	5,535
Other Revenues	443	27,775	0	28,218
Total Revenues	113,674	27,950	100,338	241,962
 <u>EXPENDITURES</u>				
General Government	73,046	0	0	73,046
Public Safety	25,449	0	0	25,449
Public Works	0	25,920	15,348	41,268
Community and Economic Development	3,631	0	0	3,631
Recreation and Culture	459	0	0	459
Other Functions	9,777	0	0	9,777
Total Expenditures	112,362	25,920	15,348	153,630
Excess (Deficiency) of Revenues Over Expenditures	1,312	2,030	84,990	88,332
<u>FUND BALANCE</u> - Beginning of Year	477,878	20,203	328,771	826,852
<u>FUND BALANCE</u> - End of Year	\$ 479,190	\$ 22,233	\$ 413,761	\$ 915,184

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

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 88,332
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(28,771)
Capital Outlay	<u>12,993</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 72,554</u></u>
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The accompanying notes are an integral part of the financial statements.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	<u>AGENCY FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 1
<u>LIABILITIES</u>	
Due to Other Funds	<u> 1</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

The notes to the financial statements are an integral part of this statement.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Winterfield Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Winterfield Township is a general law township located in Clare County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Winterfield Township 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 *Garbage and Rubbish Collection Fund* accounts for revenue sources that are legally restricted to expenditures for garbage and refuse collection.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for highways, streets, and bridges within the Township.

Additionally, Winterfield Township reports the following fund type:

Fiduciary funds are accounted for using the accrual basis of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The 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. Expenditures generally are

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, licenses 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

The annual budget is adopted on the modified accrual basis in accordance with the requirements of "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budget amounts are as originally adopted on June 27, 2013, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. Funds with Expenditures in Excess of Appropriations were as Follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Supervisor	\$ 6,620	\$ 7,224

These overages were funded with available fund balance and additional revenues.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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

The Township is limited to investments authorized by PA20 of 1943 as amended, and may invest in the following: checking accounts, saving accounts, money market accounts, certificates of deposit, or other instruments that the township treasurer deems appropriate.

2. Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

Capital assets, which include property, plant and 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 initial, individual cost of more than \$5,000 (amount not rounded) for land improvements and \$1,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. 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 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.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	20
Infrastructure	20
Equipment, Furniture and Fixtures	5-10

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any deferred inflows of resources.

6. *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 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.

7. *Fund Balance Flow Assumption*

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.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

8. *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. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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 governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 board may also 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 addition action is essential to either remove or revise a commitment.

9. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. Property Taxes

Property taxes attach as an enforceable operating lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2013 taxable valuation of Winterfield Township totaled \$48,109,747, on which ad valorem taxes levied consisted of .9720 mills for Winterfield Township operating purposes and 2.0 mills for Winterfield Township road improvements. These levies raised approximately \$46,988 for operating purposes and \$96,688 for road improvements. Additionally, the Township levied a special assessment for garbage and refuse collection which resulted in \$27,775 in revenues.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended June 30, 2014.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with First Merit Bank and Chemical Bank in Marion, Michigan.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, \$163,761 of the government's bank balance of \$902,274 was exposed to custodial credit risk because it was uninsured and uncollateralized. The entire amount of this risk exists in the Municipal Street Fund. Although the Township's investment policy does not specifically address custodial credit risk, it typically limits its exposure to this type of risk by controlling who holds the Township's deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

B. Receivables

Receivables as of year-end for the government’s individual major funds are presented in the statement of net position. The only receivables at June 30, 2014 are amounts due from other governments in the amount of \$13,260. This entire amount is recorded in the General Fund and is made up of state shared revenues and federal grants.

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. The Township does not have either unavailable or unearned revenues as of June 30, 2014.

C. Interfund Receivables, Payables and Transfers

There are no interfund transfers for the year ended June 30, 2014.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$ 1	\$ 0
Fiduciary Fund		
Current Tax Collection Fund	0	1
	<u>\$ 1</u>	<u>\$ 1</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

D. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 15,000	\$ 12,993	\$ 0	\$ 27,993
Capital assets, being depreciated				
Land Improvements	36,388	0	0	36,388
Buildings	70,804	0	0	70,804
Infrastructure	291,448	0	0	291,448
Equipment, Furniture and Fixtures	12,907	0	0	12,907
Total capital assets, being depreciated	411,547	0	0	411,547
Less accumulated depreciation for:				
Land Improvements	25,756	1,319	0	27,075
Buildings	32,468	1,378	0	33,846
Infrastructure	108,031	26,074	0	134,105
Equipment, Furniture and Fixtures	12,907	0	0	12,907
Total accumulated depreciation	179,162	28,771	0	207,933
Total capital assets, being depreciated, net	232,385	(28,771)	0	203,614
Governmental activities capital assets, net	\$ 247,385	\$ (15,778)	\$ 0	\$ 231,607

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General Government	\$ 1,822
Public Works	26,949
	<u>\$ 28,771</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement

The Township has defined contribution pension plan with Manufacturers Life Insurance Company which covers all Township employees except volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means cash compensation actually paid throughout the plan year. Employer contributions to the plan amount to 75% of an amount per a predetermined schedule. Mandatory after-tax employee contributions are 25% of the same predetermined schedule. In addition, participants may make voluntary after-tax contributions in amounts ranging from 1% to 10% of compensation.

Township contributions to the plan for 2013-2014 plan year amounted to \$2,250. In addition, employees contributed \$1,100. \$750 of this amount was mandatory, while employees voluntarily contributed \$350. Costs for participant fees and charges of \$709 were also paid by the Township.

C. Property Tax Administration Fee

The Township passed a resolution on June 14, 1983, to charge a 1% administration fee on all ad valorem, taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

D. Fire Protection Contracts

The Township has a contract with the Marion Community Fire Department and paid \$24,055 for protection for the period March 1, 2013, to February 28, 2014. This amount paid is equal to 50% of 1.00 mill of the Township's taxable value.

E. Garbage and Rubbish Collection Fund

On August 3, 2010, the Township Board approved the placing of an annual special assessment on the tax roll to finance the cost of operating a transfer station of the collection of trash and garbage. The transactions accounting for the revenues and expenditures related to the transfer station are

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

reflected in a separate fund established by the Township labeled “Garbage and Rubbish Collection Fund.” The special assessment expires after the 2014 tax roll.

F. Subsequent Events

On July 31, 2014, the Township signed a contract with the Clare County Road Commission for road improvement projects on various roads within the Township. The contract totaled \$92,415. Subsequent to year end, the Township paid the Road Commission to satisfy its obligation related to this project.

On July 1, 2014, the Township entered into a contract with ISP Management to construct a tower to be used to provide and improve broadband internet service throughout the Township. The contract calls for the Township to pay ISP Management approximately \$43,000 to construct the tower.

Our opinion has not been modified and no adjustments were made to the financial statements as it relates to the subsequent events noted above.

WINTERFIELD TOWNSHIP, CLARE COUNTY
MARION, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	GENERAL FUND			GARBAGE AND RUBBISH COLLECTION FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 43,279	\$ 62,749	\$ 66,015	\$ 0	\$ 0	\$ 0	\$ 93,000	\$ 93,000	\$ 96,688
Licenses and Permits	200	500	250	0	0	0	0	0	0
Federal Grants	1,400	1,400	1,662	0	0	0	1,100	1,100	964
State Grants	32,780	38,952	38,818	0	0	0	2,250	2,250	1,844
Charges for Services	0	1,800	1,793	300	300	175	0	0	0
Interest and Rents	500	500	4,693	0	0	0	300	300	842
Other Revenues	2,750	3,700	443	27,610	27,610	27,775	0	0	0
Total Revenues	80,909	109,601	113,674	27,910	27,910	27,950	96,650	96,650	100,338
<u>EXPENDITURES</u>									
General Government									
Township Board	7,750	20,750	18,577	0	0	0	0	0	0
Supervisor	6,620	6,620	7,224	0	0	0	0	0	0
Clerk	11,600	11,680	10,738	0	0	0	0	0	0
Board of Review	2,500	2,500	1,826	0	0	0	0	0	0
Treasurer	11,486	11,486	10,494	0	0	0	0	0	0
Assessor	11,600	11,600	10,681	0	0	0	0	0	0
Elections	4,000	4,000	975	0	0	0	0	0	0
Buildings and Grounds	6,000	27,500	9,686	0	0	0	0	0	0
Cemetery	6,500	6,500	2,845	0	0	0	0	0	0
Public Safety									
Fire Protection	24,000	24,100	24,055	0	0	0	0	0	0
Ordinance Enforcement	1,750	1,750	1,394	0	0	0	0	0	0
Public Works									
Highways, Streets, and Bridges	0	0	0	0	0	0	132,000	132,000	15,348
Refuse Collection	0	0	0	27,700	28,410	25,920	0	0	0
Planning and Zoning									
Planning Commission	4,500	4,000	3,631	0	0	0	0	0	0
Recreation and Culture									
Library	1,500	1,500	459	0	0	0	0	0	0
Other Functions									
Insurance	5,000	5,000	4,101	0	0	0	0	0	0
Employee Benefits	10,000	10,000	5,676	0	0	0	0	0	0
Other	1,500	2,000	0	0	0	0	0	0	0
Contingency	38,715	23,615	0	210	0	0	293,381	293,381	0
Total Expenditures	155,021	174,601	112,362	27,910	28,410	25,920	425,381	425,381	15,348
Excess (Deficiency) of Revenues Over Expenditures	(74,112)	(65,000)	1,312	0	(500)	2,030	(328,731)	(328,731)	84,990
FUND BALANCE - Beginning of Year	442,295	442,295	477,878	20,203	20,203	20,203	328,731	328,731	328,771
FUND BALANCE - End of Year	\$ 368,183	\$ 377,295	\$ 479,190	\$ 20,203	\$ 19,703	\$ 22,233	\$ 0	\$ 0	\$ 413,761



Baird, Cotter & Bishop, P.C.

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134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

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October 14, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT

To the Township Board
Winterfield Township
Clare County
Marion, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield 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 October 2, 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. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Winterfield Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, each major fund, and the aggregate remaining fund information of Winterfield Township's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in

determining that they 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 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We detected various material misstatements as a result of our audit procedures that were corrected by management. The majority of these misstatements were a result of converting the Township's records from cash to accrual basis.

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 14, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about audit 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

During the course of our audit of the basic financial statements of Winterfield Township for the year ended June 30, 2014, we noted the following item which we feel deserves comment:

Condition of Accounting Records

The records were found to be in good condition and we appreciate the assistance the Township provided us in completing the audit. We encourage you to continuously evaluate your internal controls and closely monitor your system on a regular basis.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedule, 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.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



Baird, Cotter & Bishop, P.C.

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October 14, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Winterfield Township
Clare County
Marion, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winterfield 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 Winterfield Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winterfield Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Winterfield 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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Winterfield Township's internal control to be material weaknesses:

1) Segregation of Incompatible Duties and Documented Independent Review

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: 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. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

2) *Preparation of Financial Statements in Accordance with GAAP*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the 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 related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

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

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Winterfield Township's responses to the material weaknesses identified in our audit are described above. We did not audit Winterfield Township's response and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.