



**WEINLANDER FITZHUGH**

LINCOLN TOWNSHIP  
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
JUNE 30, 2014



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STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
AMY L. RODRIGUEZ, CPA  
SHANNON L. WILSON, CPA

# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

## Independent Auditor's Report

October 10, 2014

Township Board  
Lincoln Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lincoln Township (Township), 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Township'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 Township'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.

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
GLADWIN AND WEST BRANCH

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

An Independently Owned Member  
**McGLADREY ALLIANCE**

 **McGladrey**



# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
October 10, 2014

## ***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 Lincoln Township as of June 30, 2014 and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles requires that the management's discussion and analysis and budgetary comparison information as noted in the table of contents to 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 U.S. generally accepted auditing standards, 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.

*Weinlander Fitzhugh*

**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

Our discussion and analysis of the Lincoln Township's (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2014.

**Financial Highlights**

The Township's net position decreased by \$247,596 or 10%. Program revenues were \$397,839 or 34% of total revenues and general revenues were \$784,569 or 66%.

**Using this Annual Financial Report**

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township financially as a whole. The Government-wide Financial Statements provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's most significant funds – the General, Fire and Police Funds, with the other fund (Liquor Fund) presented in one column as a nonmajor fund. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the Township acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Budgetary Information for the Major Funds (Required Supplemental Information)

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**Reporting the Township as a Whole**

*The Statement of Net Position and Statement of Activities*

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net position as a way to measure the Township's financial position. The change in net position provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the Township.

**Reporting the Township's Most Significant Funds**

*Fund Financial Statements*

The Township's fund financial statements provide detail information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The Township's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

*Governmental Funds*

Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detail short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

*Fiduciary Funds*

The Township is the trustee, or fiduciary, for tax collections. All of the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

**Township-wide Financial Analysis**

The Statement of Net Position provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net position as of June 30, 2014 and 2013.

<b>Exhibit A</b>	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current and other assets	\$ 1,395,928	\$ 1,654,473
Capital assets - net of accumulated depreciation	<u>503,682</u>	<u>533,290</u>
Total assets	<u>1,899,610</u>	<u>2,187,763</u>
<b>Liabilities</b>		
Current liabilities	59,181	73,937
Long-term liabilities	<u>0</u>	<u>25,801</u>
Total liabilities	<u>59,181</u>	<u>99,738</u>
<b>Net Position</b>		
Net investment in capital assets	503,682	499,602
Restricted	933,520	1,237,984
Unrestricted	<u>403,227</u>	<u>350,439</u>
Total net position	<u>\$ 1,840,429</u>	<u>\$ 2,088,025</u>

**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

This analysis focuses on net position. The Township's net position was \$1,840,429 at June 30, 2014. Capital assets, totaling \$503,682 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from property taxes collected for operations of the Fire Fund.

The \$403,227 in unrestricted net position of governmental type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted net position from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities. Exhibit B below shows a summary of the changes in net position for the years ended June 30, 2014 and 2013.

<b>Exhibit B</b>	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 397,839	\$ 366,895
Capital grants/contributions	0	10,535
General revenue:		
Property taxes	616,803	594,404
State shared revenues	138,391	136,345
Other	29,375	26,284
Total revenue	<u>1,182,408</u>	<u>1,134,463</u>
<b>Function/Program Expenses</b>		
General government	260,307	234,021
Public safety	312,209	310,595
Public works	255,572	246,957
Highways and streets	502,829	91,844
Recreation and culture	93,295	66,538
Planning, zoning and inspector	5,792	4,897
Total expenses	<u>1,430,004</u>	<u>954,852</u>
<b>Change in Net Position</b>	<u><u>\$ (247,596)</u></u>	<u><u>\$ 179,611</u></u>

**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

As reported in the statement of activities, the cost of all of our *Governmental type* activities this year was \$1,430,004. Certain activities were partially funded from those who benefited from the programs or by the other Townships and organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$616,803 in taxes, \$138,391 in State shared revenues and with our other revenues, such as administration fees, interest and miscellaneous revenues.

The Township experienced an decrease in net position of \$247,596. Key reason for the change in net position was not receiving grants. The change in net position differs from the change in fund balance and a reconciliation appears in the financial statements.

**The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

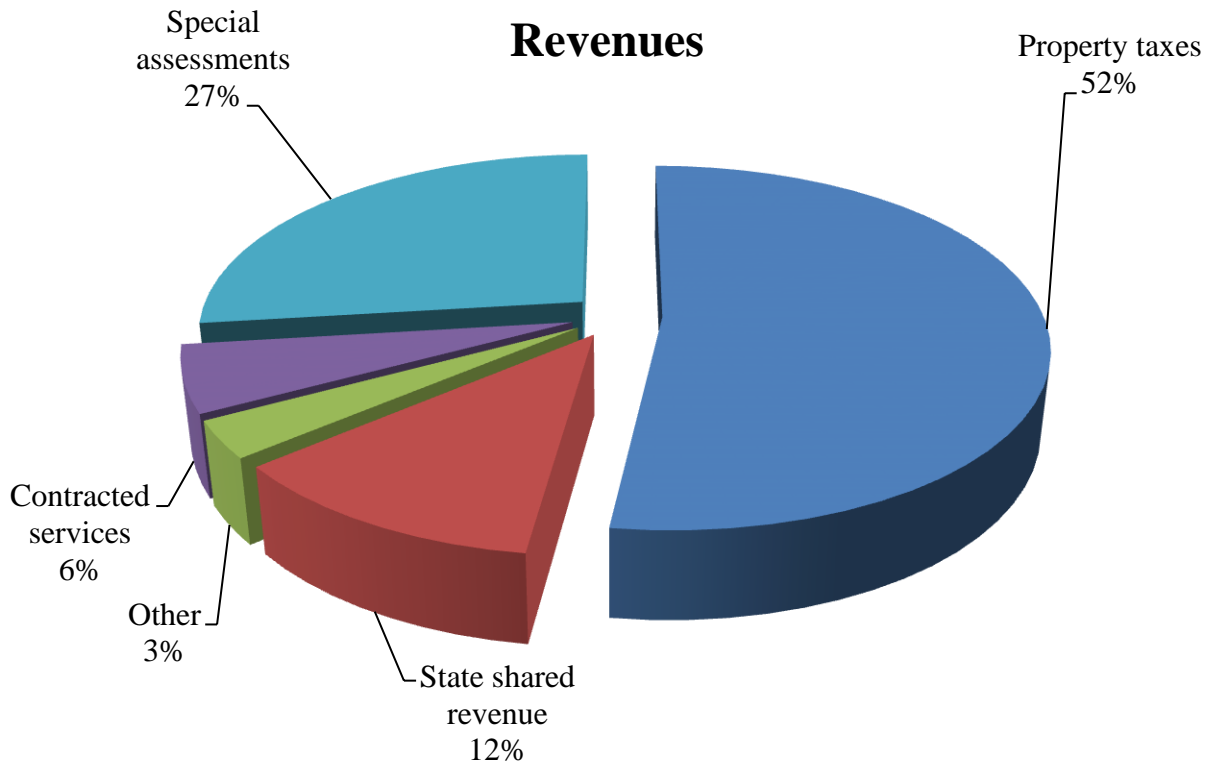
The Township's governmental funds reported a combined fund balance of \$1,336,747 which is below last year's total of \$1,558,423. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2014 and 2013.

	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Fund Balance</u> <u>June 30, 2013</u>	<u>Change</u>
General Fund	\$ 942,774	\$ 1,230,539	\$ (287,765)
Special Revenue Funds	<u>393,973</u>	<u>357,884</u>	<u>36,089</u>
Total	<u>\$ 1,336,747</u>	<u>\$ 1,588,423</u>	<u>\$ (251,676)</u>

- Our General Fund decreased \$287,765. The decrease is mainly due to not receiving any grants, increased state shared revenue and increased road costs from the prior year.
- Our Fire Fund increased \$30,106. The increase was due to an increase in contracted services revenue from the prior year.
- Our Police Fund increased \$5,983. The increase is due to public safety costs being less than budgeted for the year.
- The Liquor Law Fund did not have any significant activity during the fiscal year.

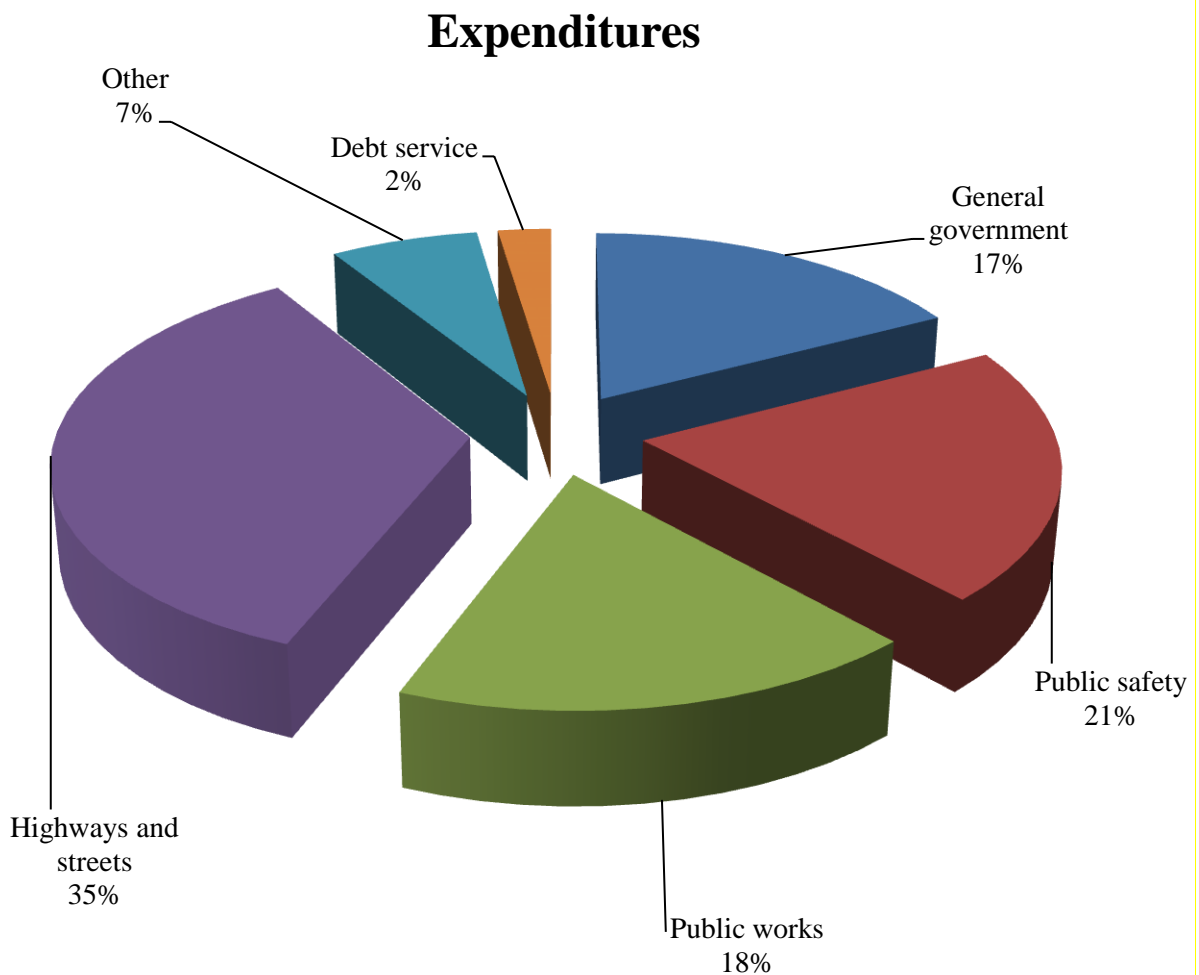
LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

As the graph below illustrates, the largest portion of the Township's revenue comes from property taxes.



**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The graph below illustrates, 17% of the Townships' resources are spent on general government expenditures such as administrative costs and hall and grounds, including utilities, while 21% is spent on fire and police services. Another 18% was spent on public works and 35% was spent on highways and streets. The remaining 9% is spent on other services provided to the residents of the Township as shown below.



**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The chart below compares current year expenditures with prior year.

	<u>2014</u>	<u>2013</u>
<i>Expenditures by Function</i>		
General government	\$ 249,010	\$ 227,773
Public safety	297,725	276,409
Public works	255,572	246,957
Highways and streets	502,829	91,844
Recreation and culture	89,044	66,538
Planning, zoning and inspector	5,792	4,897
Debt service	<u>34,112</u>	<u>62,058</u>
 Total	 <u>\$1,434,084</u>	 <u>\$ 976,476</u>

Expenditures increased \$457,608 or 47% from the prior year primarily due to highways and streets, recreation and culture and debt service expenditures.

**General Fund Budgetary Highlights**

Over the course of the year, the Township revises its budgets to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund budget were as follows.

- There were no changes to the revenue original budget.
- Budgeted expenditures increased from the original budget by \$53,086. This was due to the general changes in the everyday activities of the Township.
- Actual revenues exceeded budgeted revenue by \$28,907. The difference is primarily due to an increase in expected property taxes, special assessments and state shared revenues.
- Actual expenditures were less than budgeted expenditures by \$156,070. The difference is due to general government, public safety, highway and streets and public works expenditures being less than anticipated.

**LINCOLN TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Capital Assets**

At June 30, 2014, the Township had \$503,682 invested in a broad range of capital assets, including land, buildings, furniture and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions and disposals) of \$29,608, or 6%, from last year.

	<u>2014</u>	<u>2013</u>
Land	\$ 57,981	\$ 57,981
Buildings and building improvements	270,319	270,319
Equipment	218,623	223,605
Vehicles	<u>663,403</u>	<u>636,503</u>
 Total capital assets	 1,210,326	 1,188,408
 Less accumulated depreciation	 <u>706,644</u>	 <u>655,118</u>
 Net capital assets	 <u><u>\$503,682</u></u>	 <u><u>\$533,290</u></u>

This year's capital additions of \$29,413 included new Fire Department equipment in addition to a new truck.

**Debt**

At the end of this year, the Township had \$0 in long-term debt outstanding versus \$33,688 in the previous year. The long-term debt consisted of the following:

	<u>2014</u>	<u>2013</u>
Installment purchase agreements	<u><u>\$ 0</u></u>	<u><u>\$ 33,688</u></u>

LINCOLN TOWNSHIP  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**Factors Expected to Have an Effect on Future Operations**

We expect to see an increase in state shared revenue next year as the State of Michigan continues to adjust payments to reflect increases in state revenue. We will need to adjust Township expenditures in response to any revenue adjustments.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in Lincoln Township. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Lincoln Township  
P.O. Box 239  
Lake George, MI 48633

LINCOLN TOWNSHIP  
Statement of Net Position  
June 30, 2014

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 1,355,795
Special assessments receivable	4,828
Prepaid expenses	35,305
Capital assets - net of accumulated depreciation of \$706,644	<u>503,682</u>
Total Assets	<u>1,899,610</u>
<u>Liabilities</u>	
Accounts payable	54,353
Unearned revenue	<u>4,828</u>
Total Liabilities	<u>59,181</u>
<u>Net Position</u>	
Net investment in capital assets	503,682
Restricted for:	
Streets and highways	449,493
Lake weed control	1,666
Rubbish removal	88,388
Public safety	393,973
Unrestricted	<u>403,227</u>
Total Net Position	<u><u>\$ 1,840,429</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	Governmental
		Charges for	Activities
		Services	Net (Expense)
			Revenue and
			Change in
			Net Position
Governmental activities:			
General government	\$ 260,307	\$ 9,432	\$ (250,875)
Public safety	312,209	70,000	(242,209)
Public works	255,572	248,430	(7,142)
Highways and streets	502,829	49,914	(452,915)
Recreation and culture	93,295	20,063	(73,232)
Planning, zoning and inspector	5,792	0	(5,792)
	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	<u>\$ 1,430,004</u>	<u>\$ 397,839</u>	<u>(1,032,165)</u>
General revenues:			
			616,803
Property taxes			138,391
State shared revenues			9,665
Administration fees			6,656
Investment earnings			13,054
Miscellaneous			<u>          </u>
Total general revenues			<u>784,569</u>
Change in net position			(247,596)
Net position - beginning of year			<u>2,088,025</u>
Net position - end of year			<u>\$ 1,840,429</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Governmental Funds  
Balance Sheet  
June 30, 2014

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund (Liquor Fund)	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 972,117	\$219,880	\$163,798	\$ 0	\$ 1,355,795
Special assessments receivable	4,828	0	0	0	4,828
Prepaid expenditures	14,675	20,630	0	0	35,305
Total Assets	<u>\$ 991,620</u>	<u>\$240,510</u>	<u>\$163,798</u>	<u>\$ 0</u>	<u>\$ 1,395,928</u>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts payable	\$ 44,018	\$ 95	\$ 10,240	\$ 0	\$ 54,353
Unearned revenue	4,828	0	0	0	4,828
Total liabilities	<u>48,846</u>	<u>95</u>	<u>10,240</u>	<u>0</u>	<u>59,181</u>
<u>Fund Balance</u>					
Nonspendable- prepaid expenditures	14,675	20,630	0	0	35,305
Restricted for:					
Streets and highways	449,493	0	0	0	449,493
Lake weed control	1,666	0	0	0	1,666
Rubbish removal	88,388	0	0	0	88,388
Public safety		219,785	153,558	0	373,343
Unassigned	388,552	0	0	0	388,552
Total fund balance	<u>942,774</u>	<u>240,415</u>	<u>153,558</u>	<u>0</u>	<u>1,336,747</u>
Total Liabilities and Fund Balance	<u>\$ 991,620</u>	<u>\$240,510</u>	<u>\$163,798</u>	<u>\$ 0</u>	<u>\$ 1,395,928</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Reconciliation of Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Total fund balance - governmental funds	\$ 1,336,747
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of the capital assets	1,210,326
Accumulated depreciation	(706,644)
Total net position - governmental activities	<u><u>\$ 1,840,429</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Governmental Funds  
Statement of Revenues, Expenditures and  
Change in Fund Balance  
For the Year Ended June 30, 2014

	General Fund	Fire Fund	Police Fund	Nonmajor Governmental Fund (Liquor Fund)	Total
<u>Revenues</u>					
Property taxes	\$ 337,389	\$ 152,412	\$ 127,002	\$ 0	\$ 616,803
Special assessments	318,407	0	0	0	318,407
Administration fees	9,665	0	0	0	9,665
Contracted services	0	70,000	0	0	70,000
Licenses, fees and permits	8,487	0	0	945	9,432
State shared revenues	138,391	0	0	0	138,391
Interest and rentals	5,096	954	605	1	6,656
Other revenues	9,391	3,663	0	0	13,054
Total revenues	<u>826,826</u>	<u>227,029</u>	<u>127,607</u>	<u>946</u>	<u>1,182,408</u>
<u>Expenditures</u>					
Current:					
General government	249,010	0	0	0	249,010
Public safety	12,344	162,811	122,570	0	297,725
Public works	255,572	0	0	0	255,572
Highways and streets	502,829	0	0	0	502,829
Recreation and culture	89,044	0	0	0	89,044
Planning, zoning and inspector	5,792	0	0	0	5,792
Debt service:					
Principal	0	33,688	0	0	33,688
Interest	0	424	0	0	424
Total expenditures	<u>1,114,591</u>	<u>196,923</u>	<u>122,570</u>	<u>0</u>	<u>1,434,084</u>
Excess (deficiency) of revenues over expenditures	<u>(287,765)</u>	<u>30,106</u>	<u>5,037</u>	<u>946</u>	<u>(251,676)</u>
<u>Other Financing Sources (Uses)</u>					
Operating transfers in from other funds	0	0	946	0	946
Operating transfers out to other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>(946)</u>	<u>(946)</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>946</u>	<u>(946)</u>	<u>0</u>
Net change in fund balance	(287,765)	30,106	5,983	0	(251,676)
Fund balance - beginning of year	<u>1,230,539</u>	<u>210,309</u>	<u>147,575</u>	<u>0</u>	<u>1,588,423</u>
Fund balance - end of year	<u>\$ 942,774</u>	<u>\$ 240,415</u>	<u>\$ 153,558</u>	<u>\$ 0</u>	<u>\$1,336,747</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Reconciliation of the Statement of Revenues, Expenditures  
and Change in Fund Balance of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014

Net change in fund balance - total governmental funds	\$ (251,676)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Capital outlay	29,413
Depreciation expense	(59,021)
Repayment of loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>33,688</u>
Change in net position of governmental activities	<u><u>\$ (247,596)</u></u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Statement of Fiduciary Net Position  
June 30, 2014

	<u>Current Tax Fund</u>
<u>Assets</u>	
Cash	<u>\$          0</u>
<u>Liabilities</u>	
Due to other funds	<u>\$          0</u>

See accompanying notes to financial statements

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lincoln Township (Township) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**Reporting Entity**

The Township is governed by an elected five member council (Township Board). The accompanying financial statements present the government.

**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. The effect of interfund activity has been removed from these statements.

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. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

**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 is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

The Township reports the following major governmental funds:

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

The Fire Fund accounts for Township fire protection service activities.

The Police Fund accounts for activities associated with law enforcement within the Township.

Additionally, the Township reports the following fund:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Liquor enforcement services are accounted for in the Special Revenue Funds as a non major governmental fund.

**Assets, Liabilities and Net Position or Equity**

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets – capital assets, which include land, buildings, machinery and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Building, vehicles and equipment are being depreciated using the straight-line method over the following useful lives.

Buildings	40 Years
Building improvements	15 to 25 Years
Vehicles	5 to 15 Years
Fire equipment	5 to 15 Years
Office equipment	5 to 15 Years
Computer equipment	3 to 5 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity – The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Nonspendable fund balance represents amounts that are not in a spendable form. The Township's nonspendable fund balance represents prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the Township Board for a particular purpose. The use of committed funds would be approved by Township Board through the budget process or official board action.

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the Township does not have any assigned fund balance. The Township's intent would be to spend uncommitted/unassigned funds prior to the use of committed funds. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has no items that qualify for reporting in this category.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. 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.

Property Taxes—For Lincoln Township taxpayers, properties are assessed as of December 31 and related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The 2013 taxable valuation of the Township totaled \$102 million, on which ad valorem taxes levied consisted of .9565 mills for Township operating purposes, 1.5000 mills for fire protection, 1.2500 mills for police services and 2 mills for road maintenance, raising \$97,000 for operating, \$152,000 for fire protection, \$127,000 for police services and \$204,000 for road maintenance. These amounts are recognized in the respective General Fund and Special Revenue Funds financial statements as tax revenue.

Events Occurring After Reporting Date—Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

**NOTE 2 - BUDGETS**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year. Lincoln Township follows these procedures in establishing the budgetary data reflected in the required supplemental information.

1. The Township's supervisor submits to the Township Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Township Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 2 – BUDGETS (CONTINUED)**

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Township Board) for the General, Fire and Police Funds are presented as Required Supplemental Information.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 1,355,795</u>	<u>\$ 0</u>	<u>\$ 1,355,795</u>

**Custodial credit risk – deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2014, \$664,806 of the Township's bank balance of \$1,414,806 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township's investment policy does not identify interest rate risk, foreign currency risk or concentration credit risk.

As of June 30, 2014, the Township had no investments

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 4 - CAPITAL ASSETS**

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

	Balance July 1, 2013	Additions	Disposals and Adjustments	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 57,981	\$ 0	\$ 0	\$ 57,981
Capital assets being depreciated:				
Buildings	51,827	0	0	51,827
Building improvements	218,492	0	0	218,492
Equipment	223,605	2,513	7,495	218,623
Vehicles	636,503	26,900	0	663,403
Subtotal	1,130,427	29,413	7,495	1,152,345
Less accumulated depreciation for:				
Buildings	38,598	0	0	38,598
Building improvements	70,057	10,987	0	81,044
Equipment	191,149	10,012	7,495	193,666
Vehicles	355,314	38,022	0	393,336
Subtotal	655,118	59,021	7,495	706,644
Net capital assets being depreciated	475,309	(29,608)	0	445,701
Governmental Activities, Total				
Capital Assets - Net of Depreciation	<u>\$ 533,290</u>	<u>\$ (29,608)</u>	<u>\$ 0</u>	<u>\$ 503,682</u>

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
General government	\$ 15,547
Public safety	<u>43,474</u>
 Total Governmental Activities	 <u><u>\$ 59,021</u></u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of inter-fund activity during the year ended June 30, 2014, is shown below.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Police Fund	\$ 946	\$ 0
Liquor Law Fund	<u>0</u>	<u>946</u>
	<u><u>\$ 946</u></u>	<u><u>\$ 946</u></u>

Transfers are used to supplement liquor law enforcement costs.

There were no inter-fund receivables and payables at year end

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 6 – LONG-TERM DEBT**

Long-term debt obligation activity can be summarized as follows:

	Balance July 1, 2013	Additions	Retirements and Adjustments	Balance June 30, 2014	Amount Due Within One Year
Installment purchase agreements	\$ 33,688	\$ 0	\$ (33,688)	\$ 0	\$ 0

Lincoln Township entered into an installment purchase agreement on February 9, 2011, in the amount of \$48,305 at an interest rate of 3.79% for six years. The installment purchase agreement was used to purchase a 2010 heavy rescue truck. The balance outstanding as of June 30, 2014 is \$0.

**NOTE 7 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). Lincoln Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, general liability and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority (Authority) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

LINCOLN TOWNSHIP  
Notes to Financial Statements  
For the Year Ended June 30, 2014

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

The Michigan Townships' Participating Plan (Plan) operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

**NOTE 8 - PENSION PLAN**

The Township provides pension benefits to certain qualified employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 15% percent of employees' gross earnings and employee contributions for each employee plus interest allocated to the employee's account are immediately fully vested.

The Township's total payroll during the current year was \$175,092. The current year contribution was calculated based on covered payroll of \$167,265, resulting in an employer contribution of \$25,090.

LINCOLN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 336,059	\$ 336,059	\$ 337,389	\$ 1,330
Special assessments	310,232	310,232	318,407	8,175
Administration fees	9,665	9,665	9,665	0
Licenses, fees and permits	7,850	7,850	8,487	637
State shared revenues	128,863	128,863	138,391	9,528
Interest and rentals	3,200	3,200	5,096	1,896
Other revenues	2,050	2,050	9,391	7,341
Total revenues	<u>797,919</u>	<u>797,919</u>	<u>826,826</u>	<u>28,907</u>
<u>Expenditures</u>				
Current:				
General government	256,195	287,037	249,010	38,027
Public safety	17,426	17,527	12,344	5,183
Public works	251,890	266,187	255,572	10,615
Highways and steets	566,946	567,182	502,829	64,353
Recreation and culture	119,327	126,680	89,044	37,636
Planning, zoning and inspector	5,791	6,048	5,792	256
Total expenditures	<u>1,217,575</u>	<u>1,270,661</u>	<u>1,114,591</u>	<u>156,070</u>
Excess (deficiency) of revenues over expenditures	(419,656)	(472,742)	(287,765)	184,977
Fund balance - beginning of year	<u>1,230,539</u>	<u>1,230,539</u>	<u>1,230,539</u>	<u>0</u>
Fund balance - end of year	<u>\$ 810,883</u>	<u>\$ 757,797</u>	<u>\$ 942,774</u>	<u>\$ 184,977</u>

LINCOLN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule -Fire Fund  
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues</u>				
Property taxes	\$ 152,730	\$ 152,730	\$ 152,412	\$ (318)
Contracted services	70,000	70,000	70,000	0
Interest and rentals	750	750	954	204
Other revenues	0	0	3,663	3,663
Total revenues	<u>223,480</u>	<u>223,480</u>	<u>227,029</u>	<u>3,549</u>
<u>Expenditures</u>				
Current:				
Public safety	184,163	209,967	162,811	47,156
Debt service	33,891	34,112	34,112	0
Total expenditures	<u>218,054</u>	<u>244,079</u>	<u>196,923</u>	<u>47,156</u>
Excess (deficiency) of revenues over expenditures	5,426	(20,599)	30,106	50,705
Fund balance - beginning of year	<u>210,309</u>	<u>210,309</u>	<u>210,309</u>	<u>0</u>
Fund balance - end of year	<u><u>\$ 215,735</u></u>	<u><u>\$ 189,710</u></u>	<u><u>\$ 240,415</u></u>	<u><u>\$ 50,705</u></u>

LINCOLN TOWNSHIP  
Required Supplemental Information  
Budgetary Comparison Schedule - Police Fund  
For the Year Ended June 30, 2014

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 127,275	\$ 127,275	\$ 127,002	\$ (273)
Interest and rentals	250	250	605	355
Total revenues	<u>127,525</u>	<u>127,525</u>	<u>127,607</u>	<u>82</u>
<u>Expenditures</u>				
Current:				
Public safety	<u>124,550</u>	<u>124,550</u>	<u>122,570</u>	<u>1,980</u>
Excess of revenues over expenditures	2,975	2,975	5,037	2,062
<u>Other Financing Sources</u>				
Operating transfers in from other funds	<u>895</u>	<u>895</u>	<u>946</u>	<u>51</u>
Excess of revenues over expenditures	3,870	3,870	5,983	2,113
Fund balance - beginning of year	<u>147,575</u>	<u>147,575</u>	<u>147,575</u>	<u>0</u>
Fund balance - end of year	<u>\$ 151,445</u>	<u>\$ 151,445</u>	<u>\$ 153,558</u>	<u>\$ 2,113</u>



STEWART J. REID, CPA  
MICHAEL L. HANISKO, CPA  
DAVID D. QUIMBY, CPA  
AMY L. RODRIGUEZ, CPA  
SHANNON L. WILSON, CPA

# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

October 10, 2014

Township Board  
Lincoln Township  
Clare County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lincoln Township (Township) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under U.S. 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 May 9, 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 Lincoln 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 2014. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

### *Difficulties Encountered in Performing the Audit*

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

601 BEECH STREET  
POST OFFICE BOX 297  
CLARE, MI 48617  
989-386-3481  
FAX 989-386-3462  
www.wf-cpas.com  
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE,  
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# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
October 10, 2014  
Page 2

## *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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

## *Disagreements with Management*

For purposes of this letter, 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 10, 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 Lincoln 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 Lincoln 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.



# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
October 10, 2014  
Page 3

## **Other Matters**

We were engaged to report on the supplementary information, which accompany the financial statements but are not required supplementary information. 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 U.S. generally accepted accounting principles, 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 Township Board and management of Lincoln Township and is not intended to be and should not be, used by anyone other than these specified parties.

Very truly yours,

*Weinlander Fitzhugh*



# WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

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SHANNON L. WILSON, CPA

October 10, 2014

Township Board  
Lincoln Township  
Clare County, 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 Lincoln Township (Township) as of and for the year ended June 30, 2014, in accordance with U.S. generally accepted auditing standards, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion of 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 or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 Township's financial statements will not be prevented or detected and corrected, on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Township's internal control to be material weaknesses:

## **Segregation of Duties**

One of the strongest controls in an internal control system is known as "segregation of duties". This means that there are different individuals performing different duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance.

As is common in many small organizations, there is often only a few people, sometimes only one person, performing the accounting and financial functions. It is also common to have these individuals concentrate their efforts in one area. For example, one person does the entire payroll, one person does all the disbursing, and one person does all the billing and receipting.

While this is usually more efficient, it is a weak internal control system. There are generally insufficient checks and balances in place.

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www.wf-cpas.com  
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# WEINLANDER FITZHUGH

Township Board  
Lincoln Township  
October 10, 2014  
Page 2

This is the situation with the Township. Due to a limited staff size, the Township has a lack of segregation of duties with respect to the cash collections and disbursements because the duties are centralized with one individual

## **Financial Reporting**

Our professional standards now define an element of internal control as an organization's ability to prepare a complete set of financial statements with footnotes in accordance with U.S. generally accepted accounting principles. We are required to communicate to the Board of Trustees if the Township is unable to complete this task without assistance from its auditor.

It is not uncommon that many small and medium size organizations cannot provide the resources to accomplish this task. This is the situation with the Township. This comment is not intended to reflect on the performance or capability of any employee.

However, we have reviewed the periodic financial reporting prepared by management and provided to the Board and determined it is appropriate for the size of the Township. This information appears to meet the reporting requirements of the Board and provides it sufficient information for it to perform its oversight responsibilities.

The above comments are not intended to reflect on the performance or capability of any employee.

This communication is intended solely for the information and use of management, 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.

Very truly yours,

*Weinlander Fitzhugh*