

**TOWNSHIP OF GORE
FINANCIAL REPORT
MARCH 31, 2014**

TOWNSHIP OF GORE

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Gore
Port Hope, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

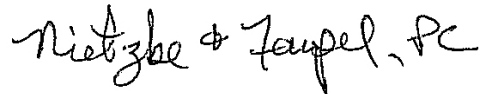
Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iii to iv and 15 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.

A handwritten signature in cursive script that reads "Nietzke & Faupel, PC".

Nietzke & Faupel, P.C.
Pigeon, Michigan

September 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Gore Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2014. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The following points represent significant financial highlights for the year ended March 31, 2014. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the General Fund increased to \$179,225 from \$157,139 since the March 31, 2012 (the last audited balance). This is an increase of \$22,086.
- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$179,235. (See Statement of Net Position)

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows a condensed view of the net position as of March 31, 2014:

	Governmental Activities
Current assets	\$ 185,864
Noncurrent assets	<u>10</u>
Total assets	<u>\$ 185,874</u>
Current liabilities	<u>\$ 6,639</u>
Total liabilities	<u>\$ 6,639</u>
Net position:	
Net investment in capital assets	\$ 10
Restricted:	
Fire	27,232
Roads	19,130
Unrestricted	<u>132,864</u>
Total net position	<u>\$ 179,235</u>

Unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$132,864. This is approximately 74% of the net position for governmental activities.

The following table shows the changes of the net position during the year ended March 31, 2014:

	<u>Governmental Activities</u>
Revenue:	
Program revenues:	
Charges for services	\$ 26,754
General revenues:	
Property taxes	59,943
State shared revenues	10,649
Unrestricted investment earnings	292
Miscellaneous	<u>6,403</u>
Total revenues	<u>104,041</u>
Expenses:	
General government	28,986
Public safety	6,587
Sanitation	26,934
Highways & public improvements	<u>51,235</u>
Total expenses	113,742
Change in net position	<u>(9,701)</u>
Net position – Beginning	<u>188,937</u>
Net position – Ending	<u>\$ 179,235</u>

Overall revenue decreased by approximately \$5,000 mostly due to decreases in property taxes since the year ended March 31, 2012. Expenses increased approximately \$35,000 primarily due to road projects since the year ended March 31, 2012.

Capital Assets

As of March 31, 2014, Gore Township had a total of \$10 (net of depreciation) invested in capital assets including land, building, and equipment. In 2013-2014, there were no capital asset acquisitions or dispositions.

Economic Factors and Budget Highlights

The Township's overall expenditures were more than budgeted for 2013-2014 by \$225.

The Township's overall revenues were more than budgeted for 2013-14 by \$861.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Business Office, Gore Township, Pochert Road, Port Hope, MI 48468.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF GORE
STATEMENT OF NET POSITION
MARCH 31, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and deposits	\$ 173,124
Receivables:	
Accounts receivable	1,682
Taxes receivable	9,839
Prepaid expenses	1,220
Capital assets, not being depreciated	10
TOTAL ASSETS	<u>185,874</u>
 <u>LIABILITIES</u>	
Accrued payroll	3,936
Due to other governments	2,702
TOTAL LIABILITIES	<u>6,639</u>
 <u>NET POSITION</u>	
Net investment in capital assets	10
Restricted:	
Fire	27,232
Roads	19,130
Unrestricted	132,864
TOTAL NET POSITION	<u>\$ 179,235</u>

TOWNSHIP OF GORE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

	<u>EXPENSES</u>	<u>PROGRAM REVENUES CHARGES FOR SERVICES</u>	<u>NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTALS</u>
GOVERNMENTAL ACTIVITIES:				
General government	\$ 28,986	\$ -	\$ (28,986)	\$ (28,986)
Public safety	6,587	-	(6,587)	(6,587)
Sanitation	26,934	26,754	(180)	(180)
Highways and public improvements	51,235	-	(51,235)	(51,235)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 113,742</u>	<u>\$ 26,754</u>	<u>(86,988)</u>	<u>(86,988)</u>
 GENERAL REVENUE:				
Property taxes			59,943	59,943
State shared revenues			10,649	10,649
Unrestricted investment earnings			292	292
Miscellaneous			6,403	6,403
TOTAL GENERAL REVENUE			<u>77,287</u>	<u>77,287</u>
 CHANGE IN NET POSITION			<u>(9,701)</u>	<u>(9,701)</u>
 NET POSITION - BEGINNING OF THE YEAR			188,937	188,937
 NET POSITION - END OF THE YEAR			<u>\$ 179,235</u>	<u>\$ 179,235</u>

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

TOWNSHIP OF GORE

**BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2014**

	<u>GENERAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>		
Cash and deposits	\$ 173,124	\$ 173,124
Receivables:		
Accounts receivable	1,682	1,682
Taxes receivable	9,839	9,839
Prepaid expenditures	1,220	1,220
TOTAL ASSETS	\$ 185,864	\$ 185,864
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES:		
Accrued payroll	\$ 3,936	\$ 3,936
Due to other governments	2,702	2,702
TOTAL LIABILITIES	6,639	6,639
FUND BALANCES:		
Nonspendable:		
Prepaid expenditures	1,220	1,220
Restricted for:		
Fire	27,232	27,232
Roads	19,130	19,130
Unassigned	131,644	131,644
TOTAL FUND BALANCES	179,225	179,225
TOTAL LIABILITIES AND FUND BALANCES	\$ 185,864	\$ 185,864

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

TOWNSHIP OF GORE

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO GOVERNMENTAL ACTIVITIES NET POSITION
MARCH 31, 2014**

Total governmental fund balance \$ 179,225

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. The cost of the assets is
\$16,510 less the accumulated depreciation of \$16,500.

10

Net position - governmental activities \$ 179,235

TOWNSHIP OF GORE

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>GENERAL</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:		
Taxes	\$ 59,943	\$ 59,943
Licenses and permits	665	665
Intergovernmental	10,649	10,649
Charges for services	26,754	26,754
Interest and rentals	292	292
Miscellaneous	5,739	5,739
TOTAL REVENUE	<u>104,041</u>	<u>104,041</u>
EXPENDITURES:		
Ambulance	432	432
Board of review	433	433
Cemetery	650	650
Elections	121	121
Fire	6,155	6,155
General government	26,158	26,158
Insurance	1,625	1,625
Road maintenance	51,235	51,235
Trash pickup	26,934	26,934
TOTAL EXPENDITURES	<u>113,742</u>	<u>113,742</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(9,701)</u>	<u>(9,701)</u>
FUND BALANCE - BEGINNING OF THE YEAR	188,927	188,927
FUND BALANCE - END OF THE YEAR	<u>\$ 179,225</u>	<u>\$ 179,225</u>

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

TOWNSHIP OF GORE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Township Operations:

The Township is located in Huron County, Michigan, and has 234 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, sanitation, and general administrative services.

The Township's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in U.S. GAAP and used in the Township are discussed below.

Reporting Entity:

In evaluating how to define the Township of Gore for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units which should be included in the reporting entity of the Township.

Government-Wide and Fund Financial Statements:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and sanitation, are classified as governmental activities. The Township has no business type activities.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWNSHIP OF GORE

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Government-Wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. The General Fund is the only fund of the Township and is considered to be a major fund.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements. The Township of Gore currently has no long-term debt.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and charges for services 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. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

(Continued)

TOWNSHIP OF GORE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources in the Township.

The Township reports no nonmajor 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.

Receivables and Payables:

Receivables at March 31, 2014 consist of property taxes and State shared revenue. The receivables are deemed collectible in full.

Prepaid Expenses:

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

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	7 to 40
Machinery and equipment	3 to 7

TOWNSHIP OF GORE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets: (Continued)

Depreciation of capital assets used by governmental activities is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental activities Statement of Net Position. Depreciation expense for the year ended March 31, 2014 was \$0. There were no capital asset acquisitions or dispositions for the year ended March 31, 2014. A summary of the Governmental Activities capital assets at March 31, 2014 follows:

	<u>2014</u>
Land	\$ 10
Buildings	16,000
Furniture and Fixtures	500
Accumulated depreciation	<u>(16,500)</u>
Net Governmental Fund Capital Assets	<u>\$ 10</u>

Fund Balance:

The Township has implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions.*” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as taxpayers, grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Restricted for fire – the Township has a millage that is restricted specifically for the purposes of fire protection within the Township.

Restricted for roads – the Township has a millage that is restricted specifically for the purposes of maintaining and improving roads in the Township.

Committed fund balance – amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (Township Board). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Township intends to use for a specific purpose. Intent can be expressed by the Township Board or by an official or body to which the Township Board delegates the authority.

TOWNSHIP OF GORE

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fund Balance: (Continued)

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

Use of Estimates:

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

NOTE 2 – BUDGET COMPLIANCE:

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

1. In accordance with the Township Act, prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. Budgets for the General Fund are adopted on a basis consistent with U.S. GAAP.
6. Appropriations lapse at the end of each fiscal year.
7. The Township Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

(Continued)

TOWNSHIP OF GORE

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014**

NOTE 2 – BUDGET COMPLIANCE: (CONTINUED)

P. A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2014, the following expenditures were in excess of the amount appropriated for the year:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund:			
Board of review	\$ 380	\$ 433	\$ 53
Fire	5,660	6,155	495
Road maintenance	50,735	51,235	500

NOTE 3 – DETAIL NOTES ON ALL FUNDS:

Cash and Deposits:

The carrying amount of cash and deposits with financial institutions of the Township amounted to \$173,124 at March 31, 2014. The total bank balance as of the same date was \$176,743, all of which was covered by federal deposit insurance corporation (FDIC).

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

The Township Board has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Township's deposits and investments are within the authorization as set forth by the Township Board. The Township's investment policy does not identify credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

TOWNSHIP OF GORE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)

Property Taxes:

Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2013 tax levy is as follows:

	Assessed Value	Taxable Value
Real property-Regular roll	\$ 15,586,800	\$ 11,310,533
Personal property-Regular roll	<u>279,900</u>	<u>279,900</u>
Total	\$ <u>15,866,700</u>	\$ <u>11,590,433</u>

Contingent Liabilities:

The Township of Gore has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Gore reimburses the State of Michigan for all benefits charged.

NOTE 4 - 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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the last three years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF GORE
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2014

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUE:				
Taxes	\$ 58,650	\$ 59,955	\$ 59,943	\$ (13)
Licenses and permits	400	530	665	135
Intergovernmental	9,000	10,710	10,649	(61)
Charges for services	26,700	26,755	26,754	(1)
Interest and rentals	75	25	292	267
Miscellaneous	4,100	5,205	5,739	534
TOTAL REVENUE	<u>98,925</u>	<u>103,180</u>	<u>104,041</u>	<u>861</u>
EXPENDITURES				
Ambulance	420	435	432	3
Board of review	400	380	433	(53)
Cemetery	600	650	650	-
Elections	225	625	121	504
Fire	5,600	5,660	6,155	(495)
General government	25,260	26,452	26,158	294
Insurance	1,650	1,630	1,625	6
Road maintenance	36,000	50,735	51,235	(500)
Trash pickup	27,000	26,950	26,934	16
TOTAL EXPENDITURES	<u>97,155</u>	<u>113,517</u>	<u>113,742</u>	<u>(225)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,770</u>	<u>(10,337)</u>	<u>(9,701)</u>	<u>636</u>
FUND BALANCE - BEGINNING OF THE YEAR	188,927	188,927	188,927	-
FUND BALANCE - END OF THE YEAR	<u>\$ 190,697</u>	<u>\$ 178,590</u>	<u>\$ 179,225</u>	<u>\$ 636</u>

To the Township of Gore Board
Port Hope, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Township of Gore as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Gore'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 of Gore's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Gore'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 significant deficiencies.

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

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 described in the accompanying schedule of findings to be significant deficiencies in internal control. (2014-1 and 2014-2)

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

Nietzke & Faupel, P.C.
Pigeon, Michigan

September 26, 2014

TOWNSHIP OF GORE

SCHEDULE OF FINDINGS

MARCH 31, 2014

SIGNIFICANT DEFICIENCY

2014-1 Preparation of year end closing procedures

Condition: This year, we assisted the accounting staff with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. This also included the preparation of several material year end adjusting entries that were necessary to keep the financial statements from being materially misstated.

Criteria: The accounting staff should be able to perform the year end closing procedures and prepare the appropriate year end closing entries in order to ensure that the year end financial statements are not materially misstated. Also, the year end closing procedures should be supervised and reviewed by Township officials that have an adequate knowledge of the Township's activities during the fiscal year.

Effect: This situation could allow the misstatement of the financial statements.

Recommendation: With adequate training, the accounting staff should become familiar with the necessary procedures to complete the year end accounting. In time, the condition of the accounting records should become better and less assistance will be required in this area by the auditors. We suggest that the Township provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year end accounting procedures for the audit.

Response: The Township acknowledges this situation and agrees that this recommendation would help strengthen internal controls. However, due to the cost of implementing this recommendation, the Township Board believes the cost of obtaining the necessary expertise would outweigh the benefit. Therefore, the Township will continue to request assistance from its external auditor with its year end account closing procedures.

2014-2 Preparation of the GAAP basis financial statements

Condition: Along with assisting with the year end closing procedures to the Township's accounting records, we also assisted the Township by preparing the annual financial statements (including required disclosures) of the Township prepared in accordance with generally accepted accounting principles.

Criteria: The responsibility for the Township's annual financial statements prepared in accordance with generally accepted accounting principles rests with the management of the Township. Management is also responsible for the system of internal accounting controls used to ensure that the financial statements are not materially misstated.

Effect: This situation could allow the misstatement of the financial statements.

Recommendation: We recommend that the Township acquire the expertise necessary to prepare the annual financial statements including the required disclosures in accordance with generally accepted accounting principles.

Response: The Township acknowledges this situation and agrees that this recommendation would help strengthen internal controls. However, due to the cost of implementing this recommendation, the Township Board believes the cost of obtaining the necessary expertise would outweigh the benefit. Therefore, the Township will continue to request assistance from its external auditor with the preparation of its annual financial statements.

September 26, 2014

To the Township Board
Township of Gore
Port Hope, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Township of Gore for the year ended March 31, 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 June 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Township of Gore 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.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. 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 September 26, 2014.

Management Consultations with Other Independent Accountants

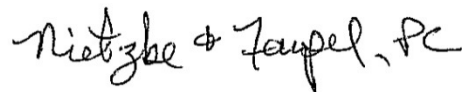
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township of Gore's financial statements or a determination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

Other Audit Findings or Issues

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

Restriction on Use

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

A handwritten signature in black ink that reads "Nietzke & Faupel, PC". The signature is written in a cursive, flowing style.

Nietzke & Faupel, PC
Pigeon, Michigan