

**TOWNSHIP OF ST. CHARLES  
SAGINAW COUNTY, MICHIGAN  
AUDITED FINANCIAL STATEMENTS**

**Fiscal Year Ended June 30, 2014**

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Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

***Independent Auditor's Report***

Members of the Township Board  
Township of St. Charles  
Saginaw County, Michigan

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

**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 opinion.

## **Opinion**

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, as well as each fiduciary fund type of St. Charles Township, Michigan, as of June 30, 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 budgetary comparison information on pages 18 to 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Barry E. Gaudette, CPA, PC*

August 27, 2014

**TOWNSHIP OF ST. CHARLES**  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
**June 30, 2014**

|  | <b><u>Governmental<br/>Activities</u></b> |
|--|---|
| <b>ASSETS</b>                                  |   |
| <b>CURRENT ASSETS</b>                          |   |
| Cash and equivalents                           | \$ 404,003                                |
| Restricted cash                                | 2,966                                     |
| Prepaid insurance                              | 4,169                                     |
| TOTAL CURRENT ASSETS                           | <u>411,138</u>                            |
| <b>NON-CURRENT ASSETS</b>                      |   |
| Property and equipment, net of<br>depreciation | <u>180,296</u>                            |
| TOTAL ASSETS                                   | <u>591,434</u>                            |
| <b>LIABILITIES</b>                             |   |
| <b>CURRENT LIABILITIES</b>                     |   |
| Accounts payable                               | <u>1,152</u>                              |
| TOTAL CURRENT LIABILITIES                      | <u>1,152</u>                              |
| <b>NET POSITION</b>                            |   |
| Net investment in capital assets               | 180,296                                   |
| Nonspendable for:                              |   |
| Prepaid insurance                              | 4,169                                     |
| Restricted:                                    |   |
| Chapel account                                 | 2,966                                     |
| Unassigned                                     | <u>402,851</u>                            |
| TOTAL NET POSITION                             | <u><u>\$ 590,282</u></u>                  |

Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ST. CHARLES**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2014**

| Functions/Programs                | Expenses          | Program Revenues           |   |   | Net (Expense)                           |
|-----------------------------------|-------------------|----------------------------|---|---|---|
|                                   |                   | Charges<br>For<br>Services | Operating<br>Grants<br>And<br>Contributions | Capital<br>Grants<br>And<br>Contributions | Revenue and<br>Changes in<br>Net Assets |
|                                   |                   |                            |   |   | Governmental<br>Activities              |
| Governmental Activities:          |                   |                            |   |   |   |
| Legislative                       | \$ 2,593          | \$ 0                       | \$ 0  | \$ 0                                      | \$ (2,593)                              |
| General government                | 141,813           | 575                        | 0   | 0   | (141,238)                               |
| Public safety                     | 9,482             | 0                          | 0   | 0   | (9,482)                                 |
| Public works                      | 97,241            | 80,785                     | 6,692                                       | 0   | (9,764)                                 |
| Community economic<br>development | 1,712             | 0                          | 0   | 0   | (1,712)                                 |
| Health & welfare                  | 1,231             | 0                          | 0   | 0   | (1,231)                                 |
| Culture & recreation              | 250               | 0                          | 0   | 0   | (250)                                   |
| Other                             | 150               | 0                          | 0   | 0   | (150)                                   |
| <b>TOTAL</b>                      | <b>\$ 254,472</b> | <b>\$ 81,360</b>           | <b>\$ 6,692</b>                             | <b>\$ 0</b>                               | <b>(166,420)</b>                        |
| GENERAL REVENUES                  |                   |                            |   |   |   |
|                                   |                   |                            |   |   | 99,934                                  |
| Property taxes & related fees     |                   |                            |   |   | 10,986                                  |
| Licenses and permits              |                   |                            |   |   | 106,850                                 |
| State shared revenues and grants  |                   |                            |   |   | 1,066                                   |
| Unrestricted investments earnings |                   |                            |   |   | 7,133                                   |
| Miscellaneous                     |                   |                            |   |   | 8,473                                   |
| Sale of cemetery lots             |                   |                            |   |   | 1,126                                   |
| Refunds and reimbursements        |                   |                            |   |   | 235,568                                 |
| <b>TOTAL</b>                      |                   |                            |   |   |   |
| CHANGE IN NET POSITION            |                   |                            |   |   | 69,148                                  |
| Net position – beginning          |                   |                            |   |   | 521,134                                 |
| NET POSITION – ENDING             |                   |                            |   |   | <b>\$ 590,282</b>                       |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ST. CHARLES**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**COMBINED BALANCE SHEET**  
**June 30, 2014**

|   | <b><u>General</u></b>        |
|---|------------------------------|
| <b>ASSETS</b>                             |                              |
| Cash and equivalents                      | \$ 404,003                   |
| Restricted cash                           | 2,966                        |
| Prepaid insurance                         | <u>4,169</u>                 |
| <br>TOTAL ASSETS                          | <br><u><u>\$ 411,138</u></u> |
| <br><b>LIABILITIES</b>                    |                              |
| Accounts payable                          | <u>\$ 1,152</u>              |
| <br>TOTAL LIABILITIES                     | <br><u>1,152</u>             |
| <br><b>FUND BALANCE</b>                   |                              |
| Nonspendable for:                         |                              |
| Prepaid insurance                         | 4,169                        |
| Reserved:                                 |                              |
| Cemetery Chapel Fund                      | 2,966                        |
| Unassigned                                | <u>402,851</u>               |
| <br>TOTAL FUND EQUITY                     | <br><u>409,986</u>           |
| <br>TOTAL LIABILITIES<br>AND FUND BALANCE | <br><u><u>\$ 411,138</u></u> |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ST. CHARLES**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

|   |                          |
|---|--------------------------|
| Total fund balance – total governmental funds   | \$ 409,986               |
| Amounts reported for governmental activities in the Statement of Net Assets<br>are different because:                                       |                          |
| Capital assets used in governmental activities are not financial resources<br>and are not reported in the funds net of related depreciation | 180,296                  |
|   | <hr/>                    |
| NET POSITION OF GOVERNMENTAL ACTIVITIES   | <u><u>\$ 590,282</u></u> |

The Notes to Financial Statements are an integral part of this statement.



**TOWNSHIP OF ST. CHARLES**  
**ALL GOVERNMENTAL FUNDS TYPES**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**Year ended June 30, 2014**

|  | <b>General</b>    |
|--|-------------------|
| <b>REVENUES</b>  |                   |
| Property taxes & related fees                          | \$ 99,934         |
| Licenses & permits                                     | 10,986            |
| State shared revenues and grants                       | 113,542           |
| Charges for services                                   | 575               |
| Interest income  | 1,066             |
| Other:   |                   |
| Special assessments                                    | 80,785            |
| Miscellaneous  | 7,133             |
| Sale of cemetery lots                                  | 8,473             |
| All other refunds                                      | 1,126             |
| <b>TOTAL REVENUES</b>                                  | <b>323,620</b>    |
| <b>EXPENDITURES</b>                                    |                   |
| Legislative  | 2,593             |
| General government                                     | 132,354           |
| Public safety  | 9,482             |
| Public works   | 97,241            |
| Community & economic development                       | 1,712             |
| Health & welfare                                       | 1,231             |
| Culture & recreation                                   | 250               |
| Other:   |                   |
| Ecology club donation                                  | 150               |
| Capital outlay   | 72,495            |
| Transfer out   | 0                 |
| <b>TOTAL EXPENDITURES</b>                              | <b>317,508</b>    |
| <b>EXCESS OF REVENUES OVER<br/>(OVER) EXPENDITURES</b> | <b>6,112</b>      |
| Fund balance – beginning                               | 403,874           |
| Fund balance – ending                                  | <b>\$ 409,986</b> |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ST. CHARLES**  
**RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2014**

|   |                         |
|---|-------------------------|
| Net change in fund balance – total governmental funds   | \$ 6,112                |
| Amounts reported for governmental activities in the Statement of Activities<br>are different because:   |                         |
| Governmental funds report capital outlays as expenditures, in the Statement of<br>Activities these costs are allocated over their estimated useful life and<br>reported as depreciation | 63,036                  |
|   | <hr/>                   |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES   | <u><u>\$ 69,148</u></u> |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ST. CHARLES**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2014**

|                                  | <b>Tax<br/>Collection<br/>Fund</b> |
|----------------------------------|------------------------------------|
| <b>ASSETS</b>                    |                                    |
| Cash and cash equivalents        | \$ 0                               |
|                                  |                                    |
| Total assets                     | 0                                  |
| <b>LIABILITIES</b>               |                                    |
| Due to other funds               | 0                                  |
| Due to other governmental units  | 0                                  |
|                                  |                                    |
| Total liabilities                | 0                                  |
| <b>NET POSITION</b>              |                                    |
| Held in trust for other purposes | \$ 0                               |

The Notes to Financial Statements are an integral part of this Statement.

**TOWNSHIP OF ST. CHARLES**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2014**

|                                      | <b>Tax<br/>Collection<br/>Fund</b> |
|--------------------------------------|------------------------------------|
| <b>ADDITIONS</b>                     |                                    |
| Property tax collections and fees    | \$ 2,116,649                       |
| Special assessments                  | 68,912                             |
| Interest earnings                    | 66                                 |
|                                      | <hr/>                              |
| Total additions                      | 2,185,627                          |
|                                      | <hr/>                              |
| <b>DEDUCTIONS</b>                    |                                    |
| Payments to general fund             | 168,846                            |
| Payments to other governmental units | 2,016,781                          |
|                                      | <hr/>                              |
| Total deductions                     | 2,185,627                          |
|                                      | <hr/>                              |
| Changes in net position              |                                    |
| Net position – beginning             | <hr/> 0                            |
| Net position – ending                | <hr/> \$ 0                         |

The Notes to Financial Statements are an integral part of this Statement.

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of St. Charles (Township) conform to accounting principles generally accepted in the United States of America (GAAP) 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 board of trustees (Board). The accompanying financial statements present the government, as the Township does not have any component units that are required to be presented, either discretely or blended and is not responsible for any jointly governed organizations, other than the Township has an agreement with a local fire department consisting of several local municipalities to render fire protection to its residents. One Township Board member is appointed to serve on the board of the fire department.

**Government-Wide and Fund Financial Statements**

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

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

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. 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 Township 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, relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current Property Taxes**

The Township property tax is levied each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31<sup>st</sup>. Real property taxes not collected as of March 1st are turned over Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2013 taxable valuation (real and personal) of the Township totaled \$78,516,900, on which ad valorem taxes levied consisted of 1.0 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$21,367 to collect the taxes and applicable interest.

There is also a special assessment for trash pickup of \$68,912. Also, the Township collects a levy for fire of \$109,156 and library of \$57,090, of which are paid directly to the two governmental entities.

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 general government, except those required to be accounted for in another fund.

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The Township reports the following major governmental funds (continued):

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the refuse fund.

The Township reports the following fiduciary funds:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's utility function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenue* include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then restricted resources as they are needed.

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

Bank 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. The Townships certificates of deposits with a maturity of more than three months are investments and are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “due to/from other funds”.

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

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 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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 applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has elected not to report its' infrastructure assets which is in compliance with Governmental Accounting Standards Board Statement Number 34 as the Township is a "tier three" entity. All future infrastructure asset additions will be recorded and reported in the government wide financial statements.

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

|                                   |          |
|-----------------------------------|----------|
| Buildings                         | 40 years |
| Building improvements             | 10 years |
| Machinery & equipment             | 5 years  |
| Office furniture & equipment      | 5 years  |
| Cemetery improvements & equipment | 10 years |
| Sign                              | 10 years |

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



**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity (Continued)**

Fund Equity – In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the Township Board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township Board.
- Assigned: Intent to spend resources on specific purposes expressed by the Township Board.
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to these purposes.

**NOTE B – CASH AND INVESTMENTS**

MCL 129.91 authorizes the Township to deposit and invest in the accounts of Federal insured banks. Credit unions, savings and loan associations; bond securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated one bank for the deposit of its funds. The Township's deposits are included on the balance sheet under the classification cash and cash equivalents and consist of the following:

|                   |    |                |
|-------------------|----|----------------|
| Cash – operations | \$ | 403,952        |
| Petty cash        |    | <u>51</u>      |
| Total             | \$ | <u>404,003</u> |

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE B – CASH AND INVESTMENTS (CONTINUED)**

The above deposits are classified by Governmental Accounting Standards Board Statement Nos. 3 and 40 in the following categories as of March 31, 2014:

|  |            |
|--|------------|
| Bank deposits (checking and money market accounts) | \$ 403,952 |
| Total  | \$ 403,952 |

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, The Township’s deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$150,986 of bank deposits (checking and money market accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE C – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGET FUNDS**

P.A. of 1978, section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated in any of its budgetary funds.

Included in the “Required Supplemental Information” section of this report is a listing of revenues and expenditures for the budgetary funds. The schedules reflect the original budget, amended budget and actual amounts for each of the fund’s activities. The cemetery expenditures were over budget, but only because of capital outlays categorized under capital outlay.

**NOTE D – RISK MANAGEMENT**

The Township of St. Charles 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. The Township of St. Charles maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE E – PENSION PLAN**

The Township does not have a pension plan.

**TOWNSHIP OF ST. CHARLES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE F – CHANGES IN CAPITAL ASSETS**

Capital asset activity for the Township for the year ended June 30, 2014 was as follows:

|                                       | <u>Beginning</u>  | <u>Additions</u>  | <u>Disposals</u> | <u>Ending</u>     |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|
| Governmental Funds:                   |                   |                   |                  |                   |
| Assets not depreciated                |                   |                   |                  |                   |
| Land & improvements                   | \$ 15,259         | \$ 0              | \$ 0             | \$ 15,259         |
| Assets depreciated:                   |                   |                   |                  |                   |
| Buildings:                            |                   |                   |                  |                   |
| Township hall                         | 116,711           | 0                 | 0                | 116,711           |
| Building improvements                 | 7,798             | 0                 | 0                | 7,798             |
| Office furniture & equipment          | 6,230             | 0                 | 0                | 6,230             |
| Cemetery improvements & equip.        | 7,206             | 72,495            | 0                | 79,701            |
| Signs                                 | 1,365             | 0                 | 0                | 1,365             |
| Total at Historic Cost                | <u>154,569</u>    | <u>\$ 72,495</u>  | <u>\$ 0</u>      | <u>227,064</u>    |
| Less Accumulated Depreciation for:    |                   |                   |                  |                   |
| Buildings:                            |                   |                   |                  |                   |
| Township hall                         | (26,199)          | \$ (3,030)        | \$ 0             | (29,229)          |
| Building improvements                 | (3,542)           | (1,080)           | 0                | (4,622)           |
| Office furniture & equipment          | (4,044)           | (687)             | 0                | (4,731)           |
| Cemetery improvements & equip.        | (2,849)           | (4,404)           | 0                | (7,253)           |
| Signs                                 | (675)             | (258)             | 0                | (933)             |
| Total Accumulated Depreciation        | <u>(37,309)</u>   | <u>\$ (9,459)</u> | <u>\$ 0</u>      | <u>(46,768)</u>   |
| Net Governmental Funds-Capital Assets | <u>\$ 117,260</u> |                   |                  | <u>\$ 180,296</u> |

**NOTE G - INTERGOVERNMENTAL AGREEMENTS**

The Township has an agreement with a local fire department consisting of several local municipalities to render fire protection to its residents. One of the township board members is appointed to serve on the board of the fire department.

**NOTE H – SUBSEQUENT EVENTS**

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Township through August 27, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

**TOWNSHIP OF ST. CHARLES**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year ended June 30, 2014**

|  | <b>Original<br/>Budget</b> | <b>Amended<br/>Budget</b> | <b>Actual</b>  | <b>Variance<br/>With<br/>Amended<br/>Budget</b> |
|--|----------------------------|---------------------------|----------------|---|
| Beginning Fund Balance                         | \$ 416,499                 | \$ 416,499                | \$ 403,874     | \$ (12,625)                                     |
| Resources (Inflows):                           |                            |                           |                |   |
| Property taxes & related fees                  | 100,000                    | 100,000                   | 99,934         | (66)  |
| Licenses & permits                             | 4,005                      | 4,005                     | 10,986         | 6,981   |
| State shared revenues and grants               | 103,000                    | 103,000                   | 113,542        | 10,542  |
| Charges for services                           | 295                        | 295                       | 575            | 280   |
| Interest income                                | 700                        | 700                       | 1,066          | 366   |
| Other:   |                            |                           |                |   |
| Special assessments                            | 70,440                     | 70,440                    | 80,785         | 10,345  |
| Miscellaneous                                  | 5,700                      | 5,700                     | 7,133          | 1,433   |
| Sale of cemetery lots                          | 5,000                      | 5,000                     | 8,473          | 3,473   |
| All other refunds                              | 5,200                      | 5,200                     | 1,126          | (4,074)   |
| <b>AMOUNTS AVAILABLE FOR<br/>APPROPRIATION</b> | <b>710,839</b>             | <b>710,839</b>            | <b>727,494</b> | <b>16,655</b>                                   |
| Charges to Appropriations(Outflows)            |                            |                           |                |   |
| Legislative                                    |                            |                           |                |   |
| Township board                                 | 4,500                      | 4,500                     | 2,593          | 1,907   |
| General Government                             |                            |                           |                |   |
| Supervisor                                     | 8,575                      | 8,575                     | 8,203          | 372   |
| Treasurer                                      | 24,733                     | 26,333                    | 24,313         | 2,020   |
| Assessor                                       | 21,800                     | 21,800                    | 18,855         | 2,945   |
| Clerk  | 15,483                     | 15,483                    | 14,691         | 792   |
| Elections                                      | 5,500                      | 5,500                     | 2,274          | 3,226   |
| Township hall                                  | 9,000                      | 9,000                     | 11,058         | (2,058)   |
| All other general government:                  |                            |                           |                |   |
| Cemetery                                       | 2,500                      | 2,500                     | 19,053         | (16,553)  |
| Board of review                                | 1,581                      | 1,581                     | 1,241          | 340   |
| Attorney                                       | 2,000                      | 2,000                     | 359            | 1,641   |
| Accounting department                          | 34,176                     | 34,176                    | 32,307         | 1,869   |
| Public Safety:                                 |                            |                           |                |   |
| Building inspections                           | 9,450                      | 10,950                    | 9,482          | 1,468   |
| Public Works:                                  |                            |                           |                |   |
| Roads  | 170,000                    | 170,000                   | 28,263         | 141,737   |
| Trash pickup                                   | 65,046                     | 65,046                    | 61,443         | 3,603   |
| Drain at large                                 | 5,200                      | 8,200                     | 7,535          | 665   |
| Community Economic &<br>Development:           |                            |                           |                |   |
| Planning commission                            | 1,660                      | 1,760                     | 1,712          | 48  |
| Health & Welfare:                              |                            |                           |                |   |
| Health center                                  | 1,500                      | 1,500                     | 1,231          | 269   |

**TOWNSHIP OF ST. CHARLES**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**(CONTINUED)**  
**Year ended June 30, 2014**

|  | <b><u>Original<br/>Budget</u></b> | <b><u>Amended<br/>Budget</u></b> | <b><u>Actual</u></b>     | <b><u>Variance<br/>With<br/>Amended<br/>Budget</u></b> |
|--|-----------------------------------|----------------------------------|--------------------------|--|
| Charges to Appropriations(Outflows)          |                                   |                                  |                          |  |
| Culture & Recreation:                        |                                   |                                  |                          |  |
| Park contribution                            | 250                               | 250                              | 250                      | 0  |
| Other:                                       |                                   |                                  |                          |  |
| Capital outlay                               | 114,600                           | 114,600                          | 72,495                   | 42,105   |
| Ecology club donation                        | 150                               | 150                              | 150                      | 0  |
| <b>TOTAL CHARGES TO<br/>  APPROPRIATIONS</b> | <b><u>497,704</u></b>             | <b><u>503,904</u></b>            | <b><u>317,508</u></b>    | <b><u>186,396</u></b>                                  |
| <b>BUDGETARY FUND BALANCE-<br/>  ENDING</b>  | <b><u>\$ 213,135</u></b>          | <b><u>\$ 206,935</u></b>         | <b><u>\$ 409,986</u></b> | <b><u>\$ 203,051</u></b>                               |

Barry E. Gaudette, CPA, PC  
731 S. Garfield Avenue  
Traverse City, Michigan 49686

Members of the Township Board  
Township of St. Charles  
Saginaw County, Michigan

We have audited the financial statements of the governmental activities, each major fund, as well as each fiduciary fund type of St. Charles Township, Michigan for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by St. Charles Township, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no major sensitive estimates affecting the Township's financial statements.

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. There were no misstatements noted during the audit.

*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 my 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 August 27, 2014.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

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

This information is intended solely for the use of the St. Charles Township and is not intended to be, and should not be, used by anyone other than the Township Board.

*Barry E. Gaudette, CPA, PC*

August 27, 2014