

CHARLEVOIX TOWNSHIP  
CHARLEVOIX COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
for the year ended June 30, 2014

MASON, KAMMERMANN & ROHRBACK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN 49720

# **Charlevoix Township**

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# MASON, KAMMERMANN & ROHRBACK, P.C.

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*Certified Public Accountants*

Velda K. Kammermann  
Todd P. Rohrback

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Corey R. Bascom

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## INDEPENDENT AUDITOR'S REPORT

January 23, 2015

Members of the Township Board  
Charlevoix Township  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund of Charlevoix Township of Charlevoix County, Michigan, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

*~ Boyne City ~*

109 Water Street  
Boyne City, MI 49712  
p: 231-582-7211

*~ Charlevoix ~*

110 Park Avenue  
Charlevoix, MI 49720  
p: 231-547-4911

*~ Petoskey ~*

600 Charlevoix Avenue  
Petoskey, MI 49770  
p: 231-348-6930

### **Auditor's Responsibility (Continued)**

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, the business-type activities, and the major fund of Charlevoix Township as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 29 through 32 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.

*Mason, Kammermann & Rohrback, PC*

# **Charlevoix Township**

## **Management's Discussion & Analysis January 23, 2015**

This section of Charlevoix Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2014.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are presented in a format to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Charlevoix Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

The Statement of Activities presents changes in the government's net position during the most recent fiscal year, on the accrual basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Charlevoix Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Charlevoix Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

# **Charlevoix Township**

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## **Management's Discussion & Analysis January 23, 2015**

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

### **Proprietary Funds**

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the water operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

# Charlevoix Township

## Management's Discussion & Analysis January 23, 2015

### Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net position as of June 30, 2014 and 2013:

#### Net Position June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b><u>Assets</u></b>						
Current assets	\$ 1,242,199	\$ 1,276,297	\$ 113,057	\$ 105,347	\$ 1,355,256	\$ 1,381,644
Noncurrent assets						
Capital assets, net	<u>1,653,347</u>	<u>1,436,126</u>	<u>1,837,704</u>	<u>1,849,817</u>	<u>3,491,051</u>	<u>3,285,943</u>
Total assets	2,895,546	2,712,423	1,950,761	1,955,164	4,846,307	4,667,587
<b><u>Liabilities and Net Position</u></b>						
Current liabilities	<u>68,501</u>	<u>24,672</u>	<u>2,783</u>	<u>58,194</u>	<u>71,284</u>	<u>82,866</u>
<b>Net position</b>						
Invested in						
capital assets, net	1,653,347	1,436,126	1,837,704	1,849,817	3,491,051	3,285,943
Unrestricted	<u>1,173,698</u>	<u>1,251,625</u>	<u>110,274</u>	<u>47,153</u>	<u>1,283,972</u>	<u>1,298,778</u>
Total net position	<u>\$ 2,827,045</u>	<u>\$ 2,687,751</u>	<u>\$ 1,947,978</u>	<u>\$ 1,896,970</u>	<u>\$ 4,775,023</u>	<u>\$ 4,584,721</u>

The Township's total net position from governmental activities is \$2,827,045. The proprietary fund has net position totaling \$1,947,978. The township has \$1,173,698 of unrestricted governmental net position, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# Charlevoix Township

## Management's Discussion & Analysis January 23, 2015

The following table shows how activities affected changes in net position during the two fiscal years.

### Change in Net Position For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 88,617	\$ 88,977	\$ 257,691	\$ 192,517	\$ 346,308	\$ 281,494
Capital contributions	44,308	12,900	-	-	44,308	12,900
General Revenues:						
Property taxes	486,626	469,720	-	-	486,626	469,720
State shared revenues	122,923	119,481	-	-	122,923	119,481
Interest	340	1,055	25	908	365	1,963
Other	9,017	5,007	-	-	9,017	5,007
<b>Total revenues</b>	<b>751,831</b>	<b>697,140</b>	<b>257,716</b>	<b>193,425</b>	<b>1,009,547</b>	<b>890,565</b>
<b>Expenses:</b>						
Legislative	257,517	260,621	-	-	257,517	260,621
General government	172,434	165,156	-	-	172,434	165,156
Public safety	142,116	122,720	-	-	142,116	122,720
Public works	166	18,425	148,998	133,056	149,164	151,481
Health & welfare	42,226	42,218	-	-	42,226	42,218
Community/economic develop.	11,024	12,471	-	-	11,024	12,471
Recreation and culture	44,554	29,870	-	-	44,554	29,870
<b>Total expenses</b>	<b>670,037</b>	<b>651,481</b>	<b>148,998</b>	<b>133,056</b>	<b>819,035</b>	<b>784,537</b>
Change in net position before transfers	81,794	45,659	108,718	60,369	190,512	106,028
Transfers to other funds	57,500	57,250	(57,500)	(57,250)	-	-
<b>Change in net position</b>	<b>\$ 139,294</b>	<b>\$ 102,909</b>	<b>\$ 51,218</b>	<b>\$ 3,119</b>	<b>\$ 190,512</b>	<b>\$ 106,028</b>



# **Charlevoix Township**

## **Management's Discussion & Analysis January 23, 2015**

### **Revenue sources and changes**

Total revenue from all sources totaled \$1,009,547, of which \$751,831 was from governmental activities and \$257,716 was from business-type activities.

Revenues from governmental activities are comprised of 64.7% from property taxes, 16.3% from state shared revenue and 11.8% from charges for services. Property taxes, for which there were 3 mills levied for general operations, were the largest source of revenue for the General Fund.

### **Expenses**

Using a full accrual basis of accounting, the Township spent \$670,037 on governmental activities. This equates to 38.4% on legislative activities, 25.7% on general government, 21.2% on public safety, 6.7% on culture and recreation, 6.3% on health and welfare, 1.7% on community and economic development, and less than 0.1% on public works.

### **Business-type Activity Highlights**

Business-type activities show an increase in net position of \$51,218 on total revenues of \$257,716. The largest source of revenue was from charges for services.

### **Financial Analysis of the Township's Funds**

At June 30, 2014, the Township's governmental funds reported cash and cash equivalents of \$944,626, which is \$317,124 more than last year. At year-end, investments were \$234,730, which is \$303,208 less than last year.

In addition, expenditures in the General Fund exceeded revenues by \$77,927, which decreased the fund balance to \$1,173,698.

### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on June 30.

# Charlevoix Township

## Management's Discussion & Analysis January 23, 2015

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

	Original Budget	Final Budget	Actual	Variance Over /(Under)
Total revenues	\$ 647,895	\$ 647,895	\$ 751,831	\$ 103,936
Total expenditures	1,888,368	1,888,368	887,258	(1,001,110)
Excess of revenues over (under) expenditures	(1,240,473)	(1,240,473)	(135,427)	1,105,046
Other financing sources	91,527	91,527	57,500	(34,027)
Net change in fund balance	<u>\$ (1,148,946)</u>	<u>\$ (1,148,946)</u>	<u>\$ (77,927)</u>	<u>\$ 1,071,019</u>

### Capital Assets

At June 30, 2014, the governmental activities have \$1,653,347 in capital assets, net of accumulated depreciation. During the year, the Township invested \$14,352 in fire equipment, \$26,496 in other equipment, \$38,886 on building improvements, and \$15,961 on recreational land improvements. Additionally, the Township invested \$215,354 in construction in progress for improvements to the recreational park, bike trail and land improvements along U.S. 31 highway.

Generally, capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, recreational land improvements, buildings, equipment, furniture and fixtures, and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

### Long-Term Debt

The Township had no outstanding long-term debt as of June 30, 2014.

### Requests for Information

This financial report is designed to provide a general overview of Charlevoix Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Charlevoix Township, 12491 Waller Road, Charlevoix, MI 49720.

# Charlevoix Township

## Statement of Net Position June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 944,626	\$ 90,240	\$ 1,034,866
Investments	234,730	-	234,730
Accounts receivable	20,437	15,047	35,484
Inventory	-	7,770	7,770
Prepaid expenses	34,072	-	34,072
Option deposit on property	7,500	-	7,500
Due from other funds	834	-	834
Total current assets	1,242,199	113,057	1,355,256
<b>Noncurrent Assets</b>			
Capital assets	3,501,549	3,530,058	7,031,607
Less accumulated depreciation	(1,848,202)	(1,692,354)	(3,540,556)
Total noncurrent assets	1,653,347	1,837,704	3,491,051
Total assets	2,895,546	1,950,761	4,846,307
<b><u>Liabilities and Net Position</u></b>			
<b>Current Liabilities</b>			
Accounts payable	62,863	2,783	65,646
Accrued payroll taxes	5,428	-	5,428
Due to other funds	210	-	210
Total liabilities	68,501	2,783	71,284
<b>Net Position</b>			
Invested in capital assets	1,653,347	1,837,704	3,491,051
Unrestricted	1,173,698	110,274	1,283,972
Total net position	\$ 2,827,045	\$ 1,947,978	\$ 4,775,023

The accompanying notes are a part of the financial statements.

# Charlevoix Township

## Statement of Activities For The Year Ended June 30, 2014

				Net Revenue (Expense) and Change in Net Position												
				Program Revenues												
				Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total							
				Expenses												
Governmental Activities	Legislative	\$	257,517	\$	-	\$	-	\$	(257,517)	\$	-	\$	(257,517)			
	General government		172,434		9,375		-		(163,059)		-		(163,059)			
	Public safety		142,116		78,972		-		(63,144)		-		(63,144)			
	Public works		166		-		-		(166)		-		(166)			
	Health and welfare		42,226		-		-		(42,226)		-		(42,226)			
	Community and economic development		11,024		270		-		(10,754)		-		(10,754)			
	Recreation and culture		44,554		-		-		(246)		-		(246)			
	Total government activities		670,037		88,617		-		44,308		(537,112)		-	(537,112)		
	Business-Type Activities															
	Water		148,998		257,691		-		-		-		108,693	108,693		
Total Primary Government	\$	819,035	\$	346,308	\$	-	\$	44,308	(537,112)	108,693	(428,419)					
General Revenues:																
Property taxes														486,626	-	486,626
State shared revenues														122,923	-	122,923
Interest														340	25	365
Other														9,017	-	9,017
Transfers - internal activity														57,500	(57,500)	-
Total general revenues and transfers														676,406	(57,475)	618,931
Change in net position														139,294	51,218	190,512
Net position - July 1, 2013														2,687,751	1,893,851	4,581,602
Net position - June 30, 2014														\$ 2,827,045	\$ 1,945,069	\$ 4,772,114

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds Balance Sheet June 30, 2014

<u>Assets</u>	<u>General</u>
Cash and cash equivalents	\$ 944,626
Investments	234,730
Accounts receivable	20,437
Prepaid expenses	34,072
Purchase option on property	7,500
Due from other funds	834
	<hr/>
Total assets	<u>\$ 1,242,199</u>
 <u>Liabilities &amp; Fund Balances</u>	
Liabilities,	
Accounts payable	\$ 62,863
Accrued payroll taxes	5,428
Due to other funds	210
	<hr/>
Total liabilities	68,501
Fund Balances:	
Nonspendable, prepaid items	34,072
Assigned	32,937
Unassigned	1,106,689
	<hr/>
Total fund balances	<u>1,173,698</u>
Total liabilities & fund balances	<u>\$ 1,242,199</u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds Reconciliation of the Governmental Fund Balances of Governmental Activities to the Statement of Net Position June 30, 2014

Total fund balance - governmental funds	\$ 1,173,698
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Amounts reported for governmental activities in the Statement  
of Net Position are different because:

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

Cost of capital assets	3,501,549
Accumulated depreciation	<u>(1,848,202)</u>
Total net position - governmental activities	<u>\$ 2,827,045</u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds

### Statement of Revenues, Expenditures, and Changes in Fund Balance

### For The Year Ended June 30, 2014

	<u>General</u>
<b>Revenues:</b>	
Property taxes	\$ 486,626
State shared revenue	122,923
State grants	18,308
Licenses and permits	270
Charges for services	88,347
Interest	340
Donations and grants	26,000
Other	<u>9,017</u>
Total revenues	751,831
<b>Expenditures:</b>	
Legislative	257,517
General government	159,648
Public safety	96,444
Public works	166
Health and welfare	42,226
Community and economic development	11,024
Recreation and culture	9,184
Capital outlay	<u>311,049</u>
Total expenditures	<u>887,258</u>
<b>Deficiency of Revenues Over Expenditures</b>	(135,427)
<b>Other Financing Sources:</b>	
Transfers in	<u>57,500</u>
<b>Net change in fund balance</b>	(77,927)
<b>Fund balance - July 1, 2013</b>	<u>1,251,625</u>
<b>Fund balance - June 30, 2014</b>	<u><u>\$ 1,173,698</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For The Year Ended June 30, 2014

Net change in fund balance - governmental funds	\$ (77,927)
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Amounts reported for governmental activities in the statement  
of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives	311,049
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Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(93,533)</u>
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Changes in net position - governmental activities	<u><u>\$ 139,589</u></u>
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The accompanying notes are a part of the financial statements.



# Charlevoix Township

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## Proprietary Fund Statement of Net Position June 30, 2014

<u>Assets</u>	<u>Water</u>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 90,240
Accounts receivable	15,047
Due from other funds	210
Inventory	<u>7,770</u>
Total current assets	113,267
<b>Noncurrent Assets:</b>	
Capital assets	3,530,058
Accumulated depreciation	<u>(1,692,354)</u>
Total noncurrent assets	<u>1,837,704</u>
Total assets	1,950,971
 <u>Liabilities and Net Position</u>	
<b>Current Liabilities,</b>	
Accounts payable	<u>2,783</u>
<b>Net Position:</b>	
Invested in capital assets	1,837,704
Net position - unrestricted	<u>110,484</u>
Total net position	<u>\$ 1,948,188</u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Proprietary Fund Statement of Revenues, Expenditures and Changes in Net Position For The Year Ended June 30, 2014

	<u>Water</u>
<b>Operating Revenues:</b>	
Water sales	\$ 221,609
Connection fees	912
Rental income	<u>35,170</u>
Total revenues	257,691
<b>Cost of Goods Sold,</b>	
Connection expenses	<u>8,488</u>
Gross profit	249,203
<b>Operating Expenses:</b>	
Professional services	4,294
Depreciation	78,863
Utilities	28,176
Repair and maintenance	24,004
Other	<u>5,173</u>
Total operating expenses	<u>140,510</u>
Income from operations	108,693
<b>Nonoperating Revenue,</b>	
Interest income	<u>25</u>
Income before transfers	108,718
<b>Other Operating Uses,</b>	
Transfers out	<u>(57,500)</u>
Net Change in Net Position	51,218
Net position - July 1, 2013	<u>1,896,970</u>
Net position - June 30, 2014	<u><u>\$ 1,948,188</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Township

## Proprietary Fund Statement of Cash Flows For The Year Ended June 30, 2014

	Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 224,533
Rental income	35,170
Payments for goods and services	<u>(125,546)</u>
Net cash provided by operating activities	134,157
CASH FLOWS FROM INVESTING ACTIVITIES:	
Fixed asset acquisitions	\$ (66,750)
Interest earned	<u>25</u>
Net cash used by investing activities	(66,725)
CASH FLOWS FROM NONOPERATING FINANCING ACTIVITIES,	
Transfers to other funds	<u>(57,500)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,932
CASH AND CASH EQUIVALENTS, July 1, 2013	<u>80,308</u>
CASH AND CASH EQUIVALENTS, June 30, 2014	<u><u>\$ 90,240</u></u>
COMPONENTS OF CASH AND CASH EQUIVALENTS,	
Unrestricted	<u><u>\$ 90,240</u></u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 108,693
Adjustments to reconcile operating income to net cash	
provided by operating activities	
Depreciation	78,863
Decrease in accounts receivable	2,222
Increase in amounts due from other funds	(210)
Decrease in amounts due to other funds	(56,290)
Increase in accounts payable	<u>879</u>
Net cash provided by operating activities	<u><u>\$ 134,157</u></u>

The accompanying notes are a part of the financial statements.

# **Charlevoix Township**

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## **Fiduciary Fund Statement of Net Position June 30, 2014**

### **Assets**

Cash

\$ 834

### **Liabilities**

Due to other funds

\$ 834

The accompanying notes are a part of the financial statements.

# Charlevoix Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Position For The Year Ended June 30, 2014

**Additions:**

Property tax collections for:  
Primary government  
Other governments

\$ 447,590  
4,650,775

Total additions

5,098,365

**Deductions:**

Property Tax Distributions to:  
Primary government  
Other governments

447,590  
4,650,775

Total deductions

5,098,365

Change in net position

-

Fiduciary net position - July 1, 2013

-

Fiduciary net position - June 30, 2014

\$ -

The accompanying notes are a part of the financial statements.

# **Charlevoix Township**

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## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charlevoix Township (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 Charlevoix Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. 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 services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# **Charlevoix Township**

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## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full 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 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.

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 available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Proprietary Fund – The Proprietary Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for the capital maintenance public policy, management control, accountability, or other purposes.

Fiduciary Fund – The Fiduciary Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **Cash and cash equivalents**

Cash and cash equivalents include amounts held in bank accounts and money markets. Cash deposits and money market funds are reported at carrying amount, which reasonably estimates fair value.

##### **Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

##### **Inventory**

Inventory included in the Proprietary Fund is valued at the lower of cost (first-in, first-out) or market.

##### **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 \$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.

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

Buildings & Improvements	20-40 years
Furniture & Fixtures	10 years
Equipment	5-10 years
Recreational Land Improvements	30 years
Safety Equipment	20 years



# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. Their reported fund equity (position) is segregated into investment in capital assets and unrestricted net position components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation totals \$1,692,354 in the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Plant and Equipment	15-60 years

#### **Long-term Obligations**

As of June 30, 2014, the Township has no outstanding long-term debt.

#### **Fund Equity**

The Township has implemented GASB Statement 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 balance more transparent.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

#### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

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

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

# **Charlevoix Township**

## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations.

#### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, the Township did not incur expenditures in the General Fund in excess of amounts appropriated. The Township's budgeted and actual expenditures have been shown on a function basis.

#### **Accumulated Fund Deficits**

The Charlevoix Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2014.

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's 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.

Cash and Cash Equivalents – At June 30, 2014, the carrying amount of the Township's cash and cash equivalents was \$944,626 for governmental activities and \$90,240 for business-type activities.

Investments – The Township's investments are made up of United States Treasury mutual funds with a fair market value of \$234,730.

Insurance – Of the cash and cash equivalent balances, \$541,442 was insured by the Federal Depository Insurance Corporation, and the Securities Investor Protection Corporation. The remaining \$493,424 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year.

# Charlevoix Township

## Notes To Financial Statements For The Year Ended June 30, 2014

### NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September fourteenth and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied 3 mills for general operations on state taxable valuation of \$157,761,317 on the 2013 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

### NOTE 5 – CAPITAL ASSETS

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

	Balance at July 1, 2013	Additions	Transfers	Disposals	Balance at June 30, 2014
Capital assets not being depreciated					
Land	\$ 6,134	\$ -	\$ -	\$ -	\$ 6,134
Construction in progress	609,381	215,354	(537,479)	-	287,256
Total capital assets not being depreciated	615,515	215,354	(537,479)	-	293,390
Capital assets being depreciated					
Buildings & Improvements	161,605	38,886	-	-	200,491
Equipment & Furniture	60,954	-	-	-	60,954
Equipment	282,720	26,496	-	-	309,216
Recreation	926,730	15,961	537,479	-	1,480,170
Safety Equipment	1,142,976	14,352	-	-	1,157,328
Total capital assets	3,190,500	311,049	-	-	3,501,549
Less accumulated depreciation	(1,754,374)	(93,828)	-	-	(1,848,202)
Total net capital assets	<u>\$ 1,436,126</u>	<u>\$ 217,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,653,347</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 12,786
Public Safety	45,672
Recreation	35,370
	<u>\$ 93,828</u>

# Charlevoix Township

## Notes To Financial Statements For The Year Ended June 30, 2014

### NOTE 5 – CAPITAL ASSETS (Continued)

Following is a summary of Water Fund assets at June 30, 2014:

	Balance at July 1, 2013	Additions	Transfers	Disposals	Balance at June 30, 2014
Capital assets not being depreciated					
Land	\$ 15,690	\$ -	\$ -	\$ -	\$ 15,690
Construction in progress	2,800	-	(2,800)	-	-
Total capital assets not being depreciated	18,490	-	(2,800)	-	15,690
Capital assets being depreciated					
Building	54,224	-	-	-	54,224
Wells and wellhouses	1,171,869	5,285	-	-	1,177,154
Equipment	268,716	-	-	-	268,716
Water lines	1,001,403	-	-	-	1,001,403
Storage tanks	948,606	61,465	2,800	-	1,012,871
Total assets	3,463,308	66,750	-	-	3,530,058
Less accumulated depreciation	(1,613,491)	(78,863)	-	-	(1,692,354)
Total net capital assets	\$ 1,849,817	\$ (12,113)	\$ -	\$ -	\$ 1,837,704

### NOTE 6 – RECEIVABLES & PAYABLES

Interfund receivables and payables of the individual funds are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 830	\$ 210
Tax Fund	-	830
Water Fund	210	-
Total	\$ 1,040	\$ 1,040

### NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100 percent reinsures through commercial companies.

# **Charlevoix Township**

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## **Notes To Financial Statements For The Year Ended June 30, 2014**

### **NOTE 8 – FUND EQUITY RESERVATIONS**

The General Fund has \$41,572 of prepaid expenses that have been classified as nonspendable. The Township has assigned \$32,937 of its fund balance for land improvements to be made along U.S. 31 highway.

### **NOTE 9 – PENSION PLAN**

The Township has a defined contribution plan covering its full time employees. The Board approved a 6 percent contribution of each covered employee's wages to the plan. The net pension expense for the fiscal year ended June 30, 2014, was \$8,212.

### **NOTE 10 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through January 21, 2015, the date that the financial statements were available to be issued.

### **NOTE 11 – PREPAID LAND PURCHASE OPTION**

The Township has purchased an option on land for \$7,500. If the option is exercised, then the purchase price is \$94,400, with a credit for the consideration of the option. The option expires on October 30, 2016, and the option would be forfeited if not exercised.

### **NOTE 12 - COMMITMENTS**

The Township has contracted for recreation improvements to the playground and bike trail and land improvements along U.S. 31 highway for approximately \$227,000 and road maintenance totaling \$10,900. The Township also approved the purchase of a new truck for \$25,270.

# Charlevoix Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

### Budgetary Comparison

### For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	\$ 475,520	\$ 475,520	\$ 486,626	\$ 11,106
State shared revenue	80,000	80,000	122,923	42,923
State grants	-	-	18,308	18,308
Charges for services	87,375	87,375	88,347	972
Licenses and permits	-	-	270	270
Interest	5,000	5,000	340	(4,660)
Donations and grants	-	-	26,000	26,000
Other	-	-	9,017	9,017
<b>Total revenues</b>	<b>647,895</b>	<b>647,895</b>	<b>751,831</b>	<b>103,936</b>
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	155,000	155,000	133,078	(21,922)
Payroll taxes	22,000	22,000	10,735	(11,265)
Health insurance	30,000	30,000	24,331	(5,669)
Pension	9,000	9,000	8,212	(788)
Insurance	50,000	50,000	46,314	(3,686)
Office supplies	15,000	15,000	6,084	(8,916)
Printing and publishing	5,000	5,000	1,378	(3,622)
Professional services	30,000	30,000	12,045	(17,955)
Other expenses	10,500	10,500	15,340	4,840
<b>Total legislative</b>	<b>326,500</b>	<b>326,500</b>	<b>257,517</b>	<b>(68,983)</b>
<b>General Government</b>				
<b>Township Supervisor</b>				
Salary	25,732	25,732	25,732	-
Travel	500	500	500	-
<b>Total township supervisor</b>	<b>26,232</b>	<b>26,232</b>	<b>26,232</b>	<b>-</b>
<b>Elections</b>				
Salary	5,000	5,000	1,215	(3,785)
Supplies	500	500	157	(343)
Printing and publishing	500	500	176	(324)
Other expenses	500	500	68	(432)
<b>Total elections</b>	<b>6,500</b>	<b>6,500</b>	<b>1,616</b>	<b>(4,884)</b>

# Charlevoix Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Township Assessor</b>				
Contracted services	25,000	25,000	21,312	(3,688)
Supplies	500	500	-	(500)
Total assessor	25,500	25,500	21,312	(4,188)
<b>Township Clerk</b>				
Salary	24,568	24,568	24,568	-
Assistant to Clerk	6,000	6,000	3,764	(2,236)
Supplies	6,200	6,200	990	(5,210)
Travel	500	500	500	-
Total township clerk	37,268	37,268	29,822	(7,446)
<b>Township Board of Review</b>				
Salaries	2,000	2,000	1,750	(250)
<b>Township Treasurer</b>				
Salary	21,067	21,067	21,067	-
Office supplies	7,000	7,000	2,558	(4,442)
Travel	875	875	875	-
Total township treasurer	28,942	28,942	24,500	(4,442)
<b>Township Hall</b>				
Telephone	6,500	6,500	3,592	(2,908)
Utilities	5,000	5,000	2,844	(2,156)
Supplies	6,000	6,000	100	(5,900)
Repairs and maintenance	14,000	14,000	6,193	(7,807)
Total township hall	31,500	31,500	12,729	(18,771)
<b>Grounds and Equipment</b>				
Operating supplies	15,000	15,000	10,566	(4,434)
Repairs and maintenance	25,000	25,000	31,121	6,121
Total grounds and equipment	40,000	40,000	41,687	1,687
<b>Total General Government</b>	197,942	197,942	159,648	(38,294)



# Charlevoix Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Public Safety</b>				
<b>Fire Department</b>				
Services	35,000	35,000	37,847	2,847
Operating supplies	9,000	9,000	9,113	113
Telephone	2,000	2,000	1,991	(9)
Repairs and maintenance	30,000	30,000	37,377	7,377
Utilities	3,000	3,000	3,000	-
Training	10,000	10,000	2,572	(7,428)
Other expenses	10,000	10,000	4,544	(5,456)
Total public safety	99,000	99,000	96,444	(2,556)
<b>Public Works</b>				
Road improvements	100,000	100,000	-	(100,000)
Professional services	10,000	10,000	-	(10,000)
Road maintenance	50,000	50,000	166	(49,834)
Total public works	160,000	160,000	166	(159,834)
<b>Health &amp; Welfare</b>				
Ambulance	45,000	45,000	42,226	(2,774)
<b>Community and Economic Development</b>				
<b>Zoning Board</b>				
Salary	12,000	12,000	9,404	(2,596)
Professional services	3,000	3,000	574	(2,426)
Other expenses	2,500	2,500	1,046	(1,454)
Total community and economic development	17,500	17,500	11,024	(6,476)
<b>Recreation and Culture</b>				
Utilities	5,000	5,000	2,588	(2,412)
Repairs and maintenance	10,000	10,000	6,596	(3,404)
Total recreation and culture	15,000	15,000	9,184	(5,816)

# Charlevoix Township

## Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For The Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Capital Outlay</b>				
Fire equipment	95,000	95,000	14,352	(80,648)
Equipment	30,000	30,000	26,496	(3,504)
Building improvements	-	-	38,886	38,886
Recreation land improvements	100,000	100,000	15,961	(84,039)
Construction in progress	802,426	802,426	215,354	(587,072)
Total capital outlay	1,027,426	1,027,426	311,049	(716,377)
Total expenditures	1,888,368	1,888,368	887,258	(1,001,110)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,240,473)	(1,240,473)	(135,427)	1,105,046
<b>Other Financing Sources, Transfers in</b>	91,527	91,527	57,500	(34,027)
<b>Net change in fund balance</b>	(1,148,946)	(1,148,946)	(77,927)	1,071,019
<b>Fund balance - July 1, 2013</b>	1,251,625	1,251,625	1,251,625	-
<b>Fund balance - June 30, 2014</b>	<u>\$ 102,679</u>	<u>\$ 102,679</u>	<u>\$1,173,698</u>	<u>\$ 1,071,019</u>

# MASON, KAMMERMANN & ROHRBACK, P.C.

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## *Certified Public Accountants*

Velda K. Kammermann  
Todd P. Rohrbach

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Corey R. Bascom

Established 1988  
www.northmicpa.com

January 23, 2015

To the Board of Trustees  
Charlevoix Township

We have audited the financial statements of the governmental activities, the business-type activities, and the major fund of Charlevoix Township for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and the budgetary comparison schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charlevoix 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 they year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

*~ Boyne City ~*  
109 Water Street  
Boyne City, MI 49712  
p: 231-582-7211

*~ Charlevoix ~*  
110 Park Avenue  
Charlevoix, MI 49720  
p: 231-547-4911

*~ Petoskey ~*  
600 Charlevoix Avenue  
Petoskey, MI 49770  
p: 231-348-6930

### **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. Material misstatements detected as a result of audit procedures were unrecorded depreciation, accounts payable and fixed asset classifications.

### **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 January 23, 2015.

### **Management Consultations with Other Independent Accountants**

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

### **Other Audit Findings or Issues**

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

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

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

Very truly yours,

*Mason, Kammermann  
& Rohrback, PC*

# MASON, KAMMERMANN & ROHRBACK, P.C.

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*Certified Public Accountants*

Velda K. Kammermann  
Todd P. Rohrbach

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Established 1988  
www.northmicpa.com

Corey R. Bascom

January 23, 2015

To the Township Board  
Charlevoix Township  
Charlevoix, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and the major fund of Charlevoix Township as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

## **Segregation of Duties**

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets, such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

~ Boyne City ~  
109 Water Street  
Boyne City, MI 49712  
p: 231-582-7211

~ Charlevoix ~  
110 Park Avenue  
Charlevoix, MI 49720  
p: 231-547-4911

~ Petoskey ~  
600 Charlevoix Avenue  
Petoskey, MI 49770  
p: 231-348-6930

## **Preparation of Financial Statements**

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and footnotes is the responsibility of management. Management is also responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conformity with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements is based, in part, on its reliance on external auditors who cannot, by definition, be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

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

Sincerely,

*Mason, Kammermann  
& Rohrback, PC*