

Township of Albert, Michigan

BASIC FINANCIAL STATEMENTS

March 31, 2015

TOWNSHIP OF ALBERT, MICHIGAN

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

JUDITH GREEN

TOWNSHIP TREASURER

JOHN RIGHI

TOWNSHIP CLERK

JUDY ATHAN

TOWNSHIP TRUSTEE

ROGER COHOE

TOWNSHIP TRUSTEE

DOUG CADY

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS

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MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the
Township of Albert, Michigan
Lewiston, Michigan 49756

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of and for the year ended March 31, 2015, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

Opinion

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 4 through 7 and pages 26 through 29 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Albert, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Board of Trustees of the
Township of Albert, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2015 on our consideration of the Township of Albert, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Albert, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 13, 2015

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net position decreased 1.1% from a year ago decreasing from \$2,436,069 to \$2,409,659, mainly due to an increase in expenses in the water fund.

In a condensed format, the table below shows the net position of Township of Albert, Michigan.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 1,091,679	\$ 1,043,490	\$ 1,339	\$ 895	\$ 1,093,018	\$ 1,044,385
Capital Assets	1,168,627	1,251,930	168,613	183,293	1,337,240	1,435,223
Total Assets	\$ 2,260,306	\$ 2,295,420	\$ 169,952	\$ 184,188	\$ 2,430,258	\$ 2,479,608
Current Liabilities	\$ 8,553	\$ 34,033	\$ 288	\$ 223	\$ 8,841	\$ 34,256
Noncurrent Liabilities	11,758	9,283	-	-	11,758	9,283
Total Liabilities	20,311	43,316	288	223	20,599	43,539
Net Position						
Net Investment in						
Capital Assets	1,168,627	1,251,930	168,613	183,293	1,337,240	1,435,223
Restricted	687,552	571,683	1,051	-	688,603	571,683
Unrestricted	383,816	428,491	-	672	383,816	429,163
Total Net Position	\$ 2,239,995	\$ 2,252,104	\$ 169,664	\$ 183,965	\$ 2,409,659	\$ 2,436,069

Unrestricted net position – the part of net position that can be used to finance day to day operations ended the year at \$383,816, a decrease of \$45,347 from the prior year.

The following table shows the activities of the Township.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 202,249	\$ 280,804	\$ 5,494	\$ 4,784	\$ 207,743	\$ 285,588
Operating Grants and Contributions	13,370	18,025	-	-	13,370	18,025
General Revenues						
Property Taxes	671,488	513,987	-	-	671,488	513,987
State Revenue Sharing	192,996	187,783	-	-	192,996	187,783
Investment Earnings and Other Revenues	42,119	23,738	-	-	42,119	23,738
Total Revenues	1,122,222	1,024,337	5,494	4,784	1,127,716	1,029,121
Program Expenses						
Legislative	98,829	-	-	-	98,829	-
General Government	236,329	425,429	-	-	236,329	425,429
Public Safety	568,588	590,057	-	-	568,588	590,057
Public Works	129,790	107,609	-	-	129,790	107,609
Recreation and Culture	18,490	27,178	-	-	18,490	27,178
Other Expenses	61,405	-	-	-	61,405	-
Water	-	-	40,695	22,194	40,695	22,194
Total Expenses	1,113,431	1,150,273	40,695	22,194	1,154,126	1,172,467
Transfers	(20,900)	(8,000)	20,900	8,000	-	-
Changes in Net Position	(12,109)	(133,936)	(14,301)	(9,410)	(26,410)	(143,346)
Net Position - Beginning	2,252,104	2,386,040	183,965	193,375	2,436,069	2,579,415
Net Position - Ending	\$ 2,239,995	\$ 2,252,104	\$ 169,664	\$ 183,965	\$ 2,409,659	\$ 2,436,069

The Township's net position continues to remain healthy. The total revenues increased by \$98,595 while expenses decreased by \$18,341.

Governmental Activities

The Township's total governmental revenues were \$1,122,222, which was an increase of \$97,885, which was primarily due to an increase in property tax revenue.

Expenditures decreased for the year by \$36,842, which were primarily due to decreases in general government expenditures.

Business-Type Activities

The Township's only business type activity is a water system which provides water to only customers in the downtown area of Lewiston. This activity relies heavily on the general fund for financial support if large capital improvements are needed. It showed a decrease in net position of \$14,301 for the fiscal year.

The Township's Funds

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2014/2015 include the General Fund, Fire and Ambulance Fund, and Road Fund.

The General Fund pays for most of the Township's governmental services, except for fire and ambulance services that are paid for by the Fire and Ambulance Fund. The most significant services in terms of costs incurred are assessing and transfer site which are paid by the General Fund and fire and ambulance services paid by the Fire and Ambulance Fund.

Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. There were only minor budget adjustments during the year. Refer to pages 25-28 for more detail.

Capital Asset and Debt Administration

As of March 31, 2015, the Township had \$1,337,240 invested in a broad range of capital assets, including land, buildings, equipment, fire equipment, and water system. The road asset is not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

The Township has no long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2015/2016 General Fund calls for the allocated millage to continue. The Fire and Ambulance Fund extra voted millage will also continue with a slight rollback. Both millages reflect an increase in revenue due to the increase in Taxable Value.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the supervisor's office at (989) 786-2513 or visit the Township offices located in Lewiston, Michigan.

Basic Financial Statements

Township of Albert, Michigan

Statement of Net Position March 31, 2015

	Governmental Activities	Business-type Activities	Totals	Component Unit DDA
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,029,332	\$ 1,339	\$ 1,030,671	\$ 23,047
Accounts Receivable	25,347	-	25,347	-
Taxes Receivable	37,000	-	37,000	-
Capital Assets (Not Depreciated)	64,700	-	64,700	-
Capital Assets (Net of Accumulated Depreciation)	1,103,927	168,613	1,272,540	-
TOTAL ASSETS	\$ 2,260,306	\$ 169,952	\$ 2,430,258	\$ 23,047
LIABILITIES:				
Accrued Liabilities	\$ 8,553	\$ 288	\$ 8,841	\$ -
Vested Employee Benefits - Due in more than one year	11,758	-	11,758	-
TOTAL LIABILITIES	20,311	288	20,599	-
NET POSITION:				
Net Investment in Capital Assets	1,168,627	168,613	1,337,240	-
Restricted	687,552	1,051	688,603	23,407
Unrestricted	383,816	-	383,816	-
TOTAL NET POSITION	\$ 2,239,995	\$ 169,664	\$ 2,409,659	\$ 23,407

**Statement of Activities
For the Year Ended March 31, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit DDA
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental Activities:							
Legislative	\$ 98,829	\$ -	\$ -	\$ (98,829)	\$ -	\$ (98,829)	\$ -
General Government	236,329	82,531	10,092	(143,706)	-	(143,706)	-
Public Works	129,790	-	-	(129,790)	-	(129,790)	-
Public Safety	568,588	119,718	3,278	(445,592)	-	(445,592)	-
Recreation and Culture	18,490	-	-	(18,490)	-	(18,490)	-
Other Expenses	61,405	-	-	(61,405)	-	(61,405)	-
Total Governmental Activities	1,113,431	202,249	13,370	(897,812)	-	(897,812)	-
Business-type Activities:							
Water	40,695	5,494	-	-	(35,201)	(35,201)	-
Total Primary Government	\$ 1,154,126	\$ 207,743	\$ 13,370	(897,812)	(35,201)	(933,013)	-
Component Unit:							
DDA	\$ 18,383	\$ -	\$ 15,959				(2,424)
General Revenues and Transfers:							
Taxes				671,488	-	671,488	-
State Revenue Sharing				192,996	-	192,996	-
Investment Earnings				14,617	-	14,617	22
Local and Other Sources				27,502	-	27,502	-
Transfers				(20,900)	20,900	-	-
Total General Revenues and Transfers				885,703	20,900	906,603	22
Changes in Net Position				(12,109)	(14,301)	(26,410)	(2,402)
Net Position - Beginning				2,252,104	183,965	2,436,069	25,809
Net Position - Ending				\$ 2,239,995	\$ 169,664	\$ 2,409,659	\$ 23,407

See accompanying notes to financial statements.

Township of Albert, Michigan

Balance Sheet
Governmental Funds
March 31, 2015

	General	Fire & Ambulance Fund	Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 403,634	\$ 294,781	\$ 302,631	\$ 28,286	\$ 1,029,332
Accounts Receivable	3,159	22,188	-	-	25,347
Taxes Receivable	8,159	22,833	6,008	-	37,000
TOTAL ASSETS	\$ 414,952	\$ 339,802	\$ 308,639	\$ 28,286	\$ 1,091,679
LIABILITIES:					
Accrued Liabilities	\$ 7,620	\$ 933	-	-	\$ 8,553
FUND BALANCES:					
Restricted	-	338,869	308,639	-	647,508
Assigned	-	-	-	28,286	28,286
Committed	11,758	-	-	-	11,758
Unassigned	395,574	-	-	-	395,574
TOTAL FUND BALANCES	407,332	338,869	308,639	28,286	1,083,126
TOTAL LIABILITIES AND FUND BALANCES	\$ 414,952	\$ 339,802	\$ 308,639	\$ 28,286	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	1,168,627
Vested Employee Benefits	(11,758)
Net position of governmental activities	\$ 2,239,995

Township of Albert, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2015

	General	Fire & Ambulance Fund	Road Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 189,017	\$ 406,666	\$ 75,805	\$ -	\$ 671,488
Licenses and Permits	5,755	-	-	-	5,755
Federal Sources	-	3,278	-	-	3,278
State Sources	192,996	-	-	4,337	197,333
Local Sources	12,825	-	-	-	12,825
Charges for Services	82,531	119,718	-	-	202,249
Interest and Royalties	11,809	1,113	1,695	-	14,617
Other Revenue	10,096	4,581	-	-	14,677
TOTAL REVENUES	505,029	535,356	77,500	4,337	1,122,222
EXPENDITURES:					
Legislative	98,829	-	-	-	98,829
General Government	238,079	-	-	-	238,079
Public Works	68,613	-	60,079	-	128,692
Public Safety	47,759	440,712	-	-	488,471
Recreation and Culture	12,177	-	-	-	12,177
Capital Outlay	49,064	12,341	-	-	61,405
TOTAL EXPENDITURES	514,521	453,053	60,079	-	1,027,653
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,492)	82,303	17,421	4,337	94,569
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out	(20,900)	-	-	-	(20,900)
TOTAL OTHER FINANCING SOURCES (USES)	(20,900)	-	-	-	(20,900)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(30,392)	82,303	17,421	4,337	73,669
FUND BALANCES, APRIL 1	437,724	256,566	291,218	23,949	1,009,457
FUND BALANCES, MARCH 31	\$ 407,332	\$ 338,869	\$ 308,639	\$ 28,286	\$ 1,083,126

See accompanying notes to financial statements.

Township of Albert, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2015

Net changes in fund balances – total governmental funds \$ 73,669

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$121,664) exceeded capital outlay \$38,361 in the current period. (83,303)

Vested employee benefits (2,475)

Changes in net position – statement of activities \$ (12,109)

**Statement of Net Position
Proprietary Funds
March 31, 2015**

	Enterprise Fund <u>Water</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 1,339
Capital Assets (Net of Accumulated Depreciation)	<u>168,613</u>
 TOTAL ASSETS	 <u>\$ 169,952</u>
 LIABILITIES:	
Accrued Liabilities	<u>\$ 288</u>
 NET POSITION:	
Net Investment in Capital Assets	168,613
Unrestricted	<u>1,051</u>
 TOTAL NET POSITION	 <u>\$ 169,664</u>

**Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended March 31, 2015**

	Enterprise Fund <u>Water</u>
OPERATING REVENUES:	
Charges for Services	\$ 5,494
OPERATING EXPENSES:	
Wages and Fringe Benefits	3,947
Repair and Maintenance	3,199
Utilities	2,747
Insurance	500
Other	15,621
Depreciation Expense	<u>14,681</u>
Total Operating Expenses	<u>40,695</u>
Operating Income (Loss)	<u>(35,201)</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers In	<u>20,900</u>
Changes in Net Position	(14,301)
NET POSITION, APRIL 1	<u>183,965</u>
NET POSITION, MARCH 31	<u>\$ 169,664</u>

**Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2015**

	Enterprise
	Fund
	Water
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 5,494
Payments to Suppliers	(21,874)
Payments to Employees	(3,947)
	(20,327)
Net Cash Provided (Used) by Operating Activities	
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers In	20,900
	20,900
Net Cash Provided (Used) by Non Capital and Related Financing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	573
Balances - Beginning of the Year	766
Balances - End of the Year	\$ 1,339
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (35,201)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	14,681
Change in Assets and Liabilities:	
Accrued Liabilities	193
	(20,327)
Net Cash Provided (Used) by Operating Activities	

**Statement of Fiduciary Net Position
Fiduciary Fund
March 31, 2015**

	<u>Agency</u>
ASSETS:	
Cash and Equivalents - Unrestricted	<u>\$ 20,458</u>
TOTAL ASSETS	<u><u>\$ 20,458</u></u>
LIABILITIES:	
Due to Other Governmental Units	<u>\$ 20,458</u>
TOTAL LIABILITIES	<u><u>\$ 20,458</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Albert, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

The General Law Township is located in Montmorency County, Michigan and operated under an elected Township Board consisting of a Supervisor, Treasurer, Clerk, and two Trustees. This Board and its employees provide services to its residents in areas such as fire protection, ambulance service, voter registration, maintenance of township facilities, planning and zoning, and water.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township’s reporting entity, and which organizations are legally separate, component units of the Township. The component unit discussed below is included in the Township’s reporting entity because of its operational or financial relationship with the Township.

Discretely Presented Component Unit – The component unit columns in the government-wide financial statements include the financial data of the township’s component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Township. The component unit is described as follows:

Lewiston Downtown Development Authority (DDA) – The Township Board appoints the members of the governing board of the DDA. The Township also has the ability to significantly influence operations of the DDA.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, are 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 primary government is reported separately from the legally separate component unit, for which the primary government is financially accountable.

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, intergovernmental payments, 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 and enterprise funds are reported as separate columns in the fund financial statements.

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 accrual basis of accounting, as are 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. Under this method, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Taxes Receivable – Current or Property Taxes

The Township of Albert property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Albert, as of the preceding December 31st.

The 2014 taxable valuation of Township of Albert totaled \$151,137,728, on which ad valorem taxes levied consisted of .6791 mills for the Township operating, 2.7500 mills for fire and ambulance and .5000 mills for roads. These amounts are recognized in the fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund – This 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.

Fire and Ambulance Fund – This is a special revenue fund used to record revenue and expenditures related to the fire and ambulance department activities.

Road Fund – This is a special revenue fund used to record the proceeds from tax levies and to record the expenditures for road improvements.

The Township reports only one business type activity fund, the Water Fund, which is an enterprise fund and is reported as a major fund.

Additionally, the Township reports the following fund types:

Special Revenue Funds – These funds are used to account for specific revenues derived primarily from sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Fiduciary Funds – The Township maintains an Agency Fund to record the tax collection transactions. The funds are segregated and used to record the tax collection and distribution of taxes to the various taxing entities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance:

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

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds. All receivables and payables are reported at their gross value. The Township has not established an allowance for uncollectable accounts since, in the opinion of management, the amount is not significant.

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

Capital Assets – capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the governmental and business-type activities columns 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.

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

Buildings and Improvements	10 to 50 years
Equipment and Vehicles	2 to 15 years

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township has no items as being Nonspendable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Township. These amounts cannot be used for any other purpose unless the Township removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Township would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each year, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

All funds are under the direct supervision and budgetary control of the Township board. In accordance with PA 621 of 1978, the Uniform Budgeting and Accounting Act as amended, the Township board adopts a budget for the general fund and the fire special revenue fund. Any budget violations are disclosed in the audits of the Township's financial statements as required by law.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budgets, as adopted, lapse after the close of the fiscal year and a new budget is adopted for the ensuing year. The budget for Albert Township, as presented in the accompanying financial statements is the amended budget as well as the original adopted budget for the funds required to be budgeted under state statutes.

NOTE 3 - CASH AND EQUIVALENTS

At year end, the Township's cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents - Unrestricted	\$ 1,029,332	\$ 1,339	\$ 1,030,671	\$ 20,458	\$ 23,047

The breakdown between cash and equivalents is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Bank Deposits (checking and savings accounts, and certificates of deposit)	\$ 1,030,421	\$ 20,458	\$ 23,047
Petty Cash	<u>250</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,030,671</u>	<u>\$ 20,458</u>	<u>\$ 23,047</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$546,321 of the Township's bank balance of \$1,069,335 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Custodial investment credit risk. Custodial investment credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party. The Township's investments are in the name of the Township and therefore, are not exposed to this risk.

Statutory Authority:

Public Act 152, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 64,700	\$ -	\$ -	\$ 64,700
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	919,827	11,574	-	931,401
Equipment and Vehicles	<u>1,914,169</u>	<u>26,787</u>	<u>-</u>	<u>1,940,956</u>
Subtotal	<u>2,833,996</u>	<u>38,361</u>	<u>-</u>	<u>2,872,357</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(463,090)	(22,495)	-	(485,585)
Equipment and Vehicles	<u>(1,183,676)</u>	<u>(99,169)</u>	<u>-</u>	<u>(1,282,845)</u>
Subtotal	<u>(1,646,766)</u>	<u>(121,664)</u>	<u>-</u>	<u>(1,768,430)</u>
Net Capital Assets Being Depreciated	<u>1,187,230</u>	<u>(83,303)</u>	<u>-</u>	<u>1,103,927</u>
Capital Assets - Net	<u>\$ 1,251,930</u>	<u>\$ (83,303)</u>	<u>\$ -</u>	<u>\$ 1,168,627</u>

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

Governmental Activities		
General Government		\$ 34,136
Public Safety		80,117
Public Works		1,098
Recreation and Culture		<u>6,313</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 121,664</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	35,101	-	-	35,101
Equipment and Vehicles	<u>333,308</u>	<u>-</u>	<u>-</u>	<u>333,308</u>
Subtotal	<u>368,409</u>	<u>-</u>	<u>-</u>	<u>368,409</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(11,408)	(878)	-	(12,286)
Equipment and Vehicles	<u>(173,707)</u>	<u>(13,803)</u>	<u>-</u>	<u>(187,510)</u>
Subtotal	<u>(185,115)</u>	<u>(14,681)</u>	<u>-</u>	<u>(199,796)</u>
Net Capital Assets Being Depreciated	<u>183,294</u>	<u>(14,681)</u>	<u>-</u>	<u>168,613</u>
Capital Assets – Net	<u>\$ 183,294</u>	<u>\$ (14,681)</u>	<u>\$ -</u>	<u>\$ 168,613</u>

Business-type Activities

Water Fund \$ 14,681

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLES, AND TRANSFERS

	TRANSFERS OUT	
	<u>General</u>	
TRANSFERS IN		<u>\$ 20,900</u>
Water Fund		

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

NOTE 6 - RISK MANAGEMENT

The Township of Albert is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen’s compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen’s compensation benefits through the Accident Fund Insurance Company of America.

NOTE 7 - VESTED EMPLOYEE BENEFITS

The Township's personnel policy provides for the payment of vacation and sick time. This accumulates up to 168 hours for township employees and 192 hours for fire and ambulance employees (24 days). Vested employee benefits totaled \$11,758 at March 31, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Vested Employee Benefits	<u>\$ 9,283</u>	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ 11,758</u>

Required Supplementary Information

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 184,184	\$ 174,717	\$ 189,017	\$ 14,300
Licenses & Permits	6,700	5,560	5,755	195
State Sources	175,000	186,000	192,996	6,996
Local Sources	12,850	13,150	12,825	(325)
Charges for Services	78,590	74,836	82,531	7,695
Interest and Royalties	6,275	7,100	11,809	4,709
Other Revenue	8,184	11,653	10,096	(1,557)
TOTAL REVENUES	471,783	473,016	505,029	32,013
EXPENDITURES:				
Legislative:				
Township Board	103,178	115,936	98,829	17,107
General Government:				
Supervisor	15,051	13,881	14,133	(252)
Treasurer	34,974	35,541	32,847	2,694
Clerk	28,529	31,592	30,888	704
Assessor	95,928	46,131	43,951	2,180
Board of Review	1,906	1,395	651	744
Board of Appeals	2,295	1,889	1,134	755
Elections	8,550	9,599	9,287	312
Building and Grounds	94,531	88,644	83,438	5,206
Attorney	12,000	12,500	7,244	5,256
Township Garage	4,600	5,170	4,884	286
Cemetery	17,456	10,662	9,622	1,040
Total General Government	315,820	257,004	238,079	18,925
Public Works:				
Transfer Site	79,573	69,335	68,613	722
Public Safety:				
Police	510	625	517	108
Zoning and Planning	58,970	51,356	47,242	4,114
Total Public Safety	59,480	51,981	47,759	4,222

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Recreation and Culture:				
Park	11,858	13,130	11,190	1,940
Chamber of Commerce	900	580	177	403
Library	780	1,405	810	595
Total Recreation and Culture	<u>13,538</u>	<u>15,115</u>	<u>12,177</u>	<u>2,938</u>
Capital Outlay	<u>78,900</u>	<u>116,800</u>	<u>49,064</u>	<u>67,736</u>
TOTAL EXPENDITURES	<u>650,489</u>	<u>626,171</u>	<u>514,521</u>	<u>111,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(178,706)	(153,155)	(9,492)	143,663
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(5,000)</u>	<u>(20,900)</u>	<u>(20,900)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (183,706)</u>	<u>\$ (174,055)</u>	(30,392)	<u>\$ 143,663</u>
FUND BALANCE, APRIL 1			<u>437,724</u>	
FUND BALANCE, MARCH 31			<u>\$ 407,332</u>	

Township of Albert, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Fire & Ambulance Fund
For the Year Ended March 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 299,619	\$ 302,800	\$ 406,666	\$ 103,866
Federal Sources	1,550	-	3,278	3,278
Charges for Services	105,000	116,200	119,718	3,518
Interest	4,500	300	1,113	813
Other Revenue	4,525	2,605	4,581	1,976
TOTAL REVENUES	<u>415,194</u>	<u>421,905</u>	<u>535,356</u>	<u>113,451</u>
EXPENDITURES:				
Public Safety	315,187	453,630	440,712	12,918
Capital Outlay	41,125	80,500	12,341	68,159
TOTAL EXPENDITURES	<u>356,312</u>	<u>534,130</u>	<u>453,053</u>	<u>81,077</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 58,882</u>	<u>\$ (112,225)</u>	82,303	<u>\$ 194,528</u>
FUND BALANCE, APRIL 1			<u>256,566</u>	
FUND BALANCE, MARCH 31			<u>\$ 338,869</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended March 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 78,634	\$ 75,418	\$ 75,805	\$ 387
Interest	1,500	1,500	1,695	195
TOTAL REVENUES	<u>80,134</u>	<u>76,918</u>	<u>77,500</u>	<u>582</u>
EXPENDITURES:				
Public Works	<u>114,700</u>	<u>112,435</u>	<u>60,079</u>	<u>52,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (34,566)</u>	<u>\$ (35,517)</u>	17,421	<u>\$ 52,938</u>
FUND BALANCE, APRIL 1			<u>291,218</u>	
FUND BALANCE, MARCH 31			<u>\$ 308,639</u>	

Other Information

	Special Revenue Funds		
	Metro Act Fund	Sewer Fund	Totals
ASSETS:			
Cash and Equivalents	\$ 28,236	\$ 50	\$ 28,286
TOTAL ASSETS	\$ 28,236	\$ 50	\$ 28,286
FUND BALANCES:			
Assigned	\$ 28,236	\$ 50	\$ 28,286
TOTAL FUND BALANCES	\$ 28,236	\$ 50	\$ 28,286

Township of Albert, Michigan

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended March 31, 2015**

	<u>Special Revenue Funds</u>		
	Metro Act Fund	Sewer Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
State Sources	\$ 4,337	\$ -	\$ 4,337
TOTAL REVENUES	<u>4,337</u>	<u>-</u>	<u>4,337</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,337	-	4,337
FUND BALANCES, APRIL 1	<u>23,899</u>	<u>50</u>	<u>23,949</u>
FUND BALANCES, MARCH 31	<u><u>\$ 28,236</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 28,286</u></u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Albert, Michigan
Albert, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Township of Albert, Michigan's basic financial statements and have issued our report thereon dated August 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Albert, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Albert, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Albert, Michigan's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
Township of Albert, Michigan

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency listed as 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Albert, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Township of Albert, Michigan's Response to Finding

The Township of Albert, Michigan's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Albert, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 13, 2015

Internal Control Over Financial Reporting

Significant Deficiencies

**Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles**

Finding 2015-001

Condition: As part of the audit process, the Township, like some other governments, has historically relied on the independent auditors to assist in the preparation of the Government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. Management feels it is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the Township's internal controls. By definition, independent auditors should not be part of the Township's internal controls.

Cause: Change in application of auditing standards.

Recommendation: We recommend that the Township consider providing applicable employees with training that would allow them to attain the qualification required to fully understand the GAAP financial statements preparation process. Should the Board choose not to address this issue, management and the Board of should realize that an increased risk is present.

Management's Response – Corrective Action: Historically it has been the practice for the independent auditors of the township to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. The Board needs to evaluate the cost benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP or outsourcing this task to its external auditors in determining the best interests of the Township.

- Contact Person(s) Responsible for Correction:
Judith Green, Supervisor



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Trustees of the
Township of Albert, Michigan
Lewiston, Michigan 49756

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Albert, Michigan for the year ended March 31, 2015, and have issued our report thereon dated August 13, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 10, 2015, 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.

As part of our audit, we considered the internal control of the Township of Albert. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Albert's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 budgetary comparison schedules, which supplement(s) 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.

We have been engaged to report on combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 10, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Albert, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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 that have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement 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 August 13, 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 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 as to determine 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.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and 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 inquires, the basic financial statements, and our 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.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with 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 our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

August 13, 2015