

**Almira Township
Benzie County, Michigan**

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2014

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Almira Township
Management Discussion and Analysis (Unaudited)
March 31, 2014

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

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2014.

- The assets of Almira Township exceeded its liabilities at the close of the most recent fiscal year by \$4,308,905. Of this amount, \$586,077 may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,130,642, an increase of \$140,037 in comparison with the prior year. Of the total amount, \$586,077 is available for spending at the Township's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$586,077, or 187% of total general fund expenditures.

Using this Annual Report

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

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Almira Township maintains five individual governmental funds. Information is presented separately for the major funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire and EMS Operating Fund and Parks and Recreation Fund.

The Township adopts an annual appropriated budget for its general fund, special revenue funds, and debt service fund. A budgetary comparison statement has been provided for the major funds which include the General Fund, Fire and EMS Operating Fund and Parks and Recreation Fund.

Almira Township
Management Discussion and Analysis (Unaudited) - Continued

The Township as a Whole

The following table shows, in a condensed format, the net position as of the current date:

Summary of Net Position
 March 31, 2014

	Governmental Activities	
	2014	2013
Current and other assets	\$1,161,855	\$1,001,184
Capital assets	3,201,452	3,268,350
Total assets	\$4,363,307	\$4,269,534
Current liabilities	\$ 48,589	\$27,371
Long-term debt outstanding	5,813	22,917
Total liabilities	\$ 54,402	\$50,288
Net position:		
Invested in capital assets, net of related debt	\$3,178,263	\$3,228,641
Restricted		
Special Revenue purpose	544,565	534,777
Unrestricted	586,077	455,828
Total net position	4,308,905	4,219,246
Total liabilities and net position	\$4,372,557	\$4,269,534

Almira Township
Management Discussion and Analysis (Unaudited) - Continued

Financial Analysis - continued

The Township's combined net position increased 2.1% from a year ago - increasing from \$4.2 million to \$4.3 million. As we look at the governmental activities, we can see that the net position of the governmental activities increased by \$89,659.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased by \$130,249, for the governmental activities. This represents an increase of approximately 28.6%. The current level of unrestricted net position for our governmental activities stands at \$586,077, or about 187% of General Fund expenses.

Changes in Net Position
March 31, 2014

	Governmental Activities	
	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 72,467	\$59,711
Operating grants and contributions	2,925	2,925
General revenue:		
Property taxes	326,050	317,542
State-shared revenue	265,030	279,459
Unrestricted investment earnings	823	1,582
Loss on disposition of assets	-	(45,128)
Other revenue	5,879	7,556
Total revenues	673,174	623,647
Expenses		
Legislative	56,246	100,676
General government	214,596	215,944
Public safety	263,926	275,447
Public works	5,512	4,850
Recreation and culture	35,548	72,104
Other	6,207	9,449
Interest on long-term debt	1,480	1,934
Total program expenses	583,515	680,404
Changes in net position	89,659	(57,757)
Net position-beginning of year	4,219,246	4,276,003
Net position-end of year	\$4,308,905	\$4,219,246

Almira Township
Management Discussion and Analysis (Unaudited) – Continued

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide 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 include the General Fund, Fire and EMS Operating Fund and Parks and Recreation Fund.

Revenues increased by approximately \$50,000 from 2013 to 2014 in the governmental activities. This relates mostly to a loss on deposition of assets recorded in 2013.

Expenses decreased by approximately \$97,000 from 2013 to 2014 in the governmental activities. This relates to significant park improvements and a legal settlement in 2013.

General Fund Budgetary Highlights

The Township has been conservative in spending to provide a safety net for continued general operations in an economic environment where traditional revenue streams are threatened.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2014, the Township had \$3.2 million invested in a broad range of capital assets, including land, buildings, and fire equipment.

Debt

At the end of this year, the Township had \$23,189 in debt outstanding versus \$39,709 in the previous year - a decrease of 42%.

Economic Factors and Next Year's Budgets and Rates

For the 2014-2015 fiscal year, the Township has budgeted for General Fund revenues equal to expenditures.

The Township has projected General Fund expenditures of \$419,269 for the 2014-15 fiscal year, which is more than actual expenditures of \$313,750 in the 2013-14 fiscal year related to potential increases in projects in the 2014-2015 fiscal year.

The Township has projected Fire and EMS Operating Fund expenditures of \$220,489 for the 2014-15 fiscal year, which is more than actual expenditures of \$190,020 in the 2013-14 fiscal year related to potential purchases of capital equipment in the 2014-2015 fiscal year.

On August 5, 2014, the Township's Fire and EMS millages were approved by vote of the electorate. The Township's operating millage of 1.5 mills for general operation and maintenance at the Fire and EMS Department was renewed through 2020. Voters also approved a levy of up to 0.5 mills to replace equipment and apparatus of the Fire and EMS Department through 2018.

The Township has projected Parks and Recreation Fund expenditures of \$38,871 for the 2014-15 fiscal year, which is more than actual expenditures of \$23,160 in the 2013-14 fiscal year related to potential increases in projects in 2014-2015 fiscal year. The Board of Trustees maintains a strong commitment to a balanced budget whereby current year revenues match or exceed current year operating expenditures.

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 us.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Almira Township

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Almira Township* (the "Township") as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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, each major fund and the aggregate remaining fund information of Almira Township as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through v and budgetary comparison schedules on pages 20 through 22, 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 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.

Dennis, Gartland & Niergarth

August 12, 2014

Almira Township

STATEMENT OF NET POSITION

March 31, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,077,847
Accounts receivable	8,799
Property tax receivable	17,693
Due from other governmental units	<u>57,516</u>
Total current assets	<u>1,161,855</u>
Non-current assets	
Capital assets	4,425,018
Less accumulated depreciation	<u>(1,223,566)</u>
Total non-current assets	<u>3,201,452</u>
Total assets	<u>\$ 4,363,307</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 31,213
Current portion of long-term debt	<u>17,376</u>
Total current liabilities	<u>48,589</u>
Noncurrent liabilities	
Long-term debt	<u>5,813</u>
Total liabilities	<u>54,402</u>
NET POSITION	
Invested in capital assets, net of related debt	3,178,263
Restricted	
Special revenue purpose	544,565
Unrestricted	<u>586,077</u>
Total net position	<u>4,308,905</u>
Total liabilities and net position	<u>\$ 4,363,307</u>

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

Almira Township

STATEMENT OF ACTIVITIES

Year ended March 31, 2014

Functions/Program	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Total
Primary Government				
Governmental activities				
Legislative	\$ 56,246	\$ -	\$ -	\$ (56,246)
General government	214,596	42,973	2,925	(168,698)
Public safety	263,926	28,624	-	(235,302)
Public works	5,512	-	-	(5,512)
Recreation and culture	35,548	870	-	(34,678)
Other	6,207	-	-	(6,207)
Interest on long-term debt	1,480	-	-	(1,480)
Total governmental activities	583,515	72,467	2,925	(508,123)
General revenues				
Property taxes				326,050
State-shared revenues				265,030
Unrestricted interest and investment earnings				823
Miscellaneous				5,879
Total general revenues				597,782
Change in net position				89,659
Net position, beginning of year				4,219,246
Net position, end of year				\$ 4,308,905

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

Almira Township

BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2014

	Major Funds			Non-Major Fund	
	General Fund	Fire and EMS Operating Fund	Parks and Recreation Fund	Fire/EMS Building Maintenance Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 535,438	\$ 437,352	\$ 97,491	\$ 7,566	\$ 1,077,847
Accounts receivable	-	8,799	-	-	8,799
Property taxes receivable	5,603	10,059	2,031	-	17,693
Due from other governmental units	<u>57,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,516</u>
 Total assets	 <u>\$ 598,557</u>	 <u>\$ 456,210</u>	 <u>\$ 99,522</u>	 <u>\$ 7,566</u>	 <u>\$ 1,161,855</u>
 LIABILITIES AND FUND					
BALANCES					
LIABILITIES					
Accounts payable	<u>\$ 12,480</u>	<u>\$ 8,408</u>	<u>\$ 9,656</u>	<u>\$ 669</u>	<u>\$ 31,213</u>
 FUND BALANCES					
Restricted					
Special revenue purpose	-	447,802	89,866	6,897	544,565
Unassigned	<u>586,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,077</u>
 Total fund balances	 <u>586,077</u>	 <u>447,802</u>	 <u>89,866</u>	 <u>6,897</u>	 1,130,642
 Total liabilities and fund balances	 <u>\$ 598,557</u>	 <u>\$ 456,210</u>	 <u>\$ 99,522</u>	 <u>\$ 7,566</u>	

Reconciliation of Governmental Fund Balances to Government-Wide Governmental Activities Net Position

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 3,201,452

Long-term debt that is not due and payable in the current period and therefore not reported in the governmental funds. (23,189)

Total net position - governmental activities \$ 4,308,905

Almira Township

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended March 31, 2014

	Major Funds			Non-Major Fund	Total Governmental Funds
	General Fund	Fire and EMS Operating Fund	Parks and Recreation Fund	Fire/EMS Building Maintenance Fund	
REVENUES					
Property taxes	\$ 111,387	\$ 178,589	\$ 36,074	\$ -	\$ 326,050
Licenses and permits	1,830	-	-	-	1,830
State-shared revenues and grants	265,030	-	-	-	265,030
Charges for services	41,143	28,624	870	-	70,637
Interest and investment income	315	450	55	3	823
Other	6,598	1,739	467	-	8,804
	<u>426,303</u>	<u>209,402</u>	<u>37,466</u>	<u>3</u>	<u>673,174</u>
Total revenues					
EXPENDITURES					
Current					
Legislative	56,246	-	-	-	56,246
General government	184,968	-	-	-	184,968
Public safety	8,007	180,044	-	-	188,051
Public works	5,512	-	-	-	5,512
Recreation and culture	9,793	-	23,050	-	32,843
Other	-	-	-	6,207	6,207
Capital outlay	31,224	9,976	110	-	41,310
Debt service					
Principal	16,520	-	-	-	16,520
Interest	1,480	-	-	-	1,480
	<u>313,750</u>	<u>190,020</u>	<u>23,160</u>	<u>6,207</u>	<u>533,137</u>
Total expenditures					
REVENUES OVER (UNDER) EXPENDITURES	112,553	19,382	14,306	(6,204)	140,037
Fund balance, beginning of year	<u>473,524</u>	<u>428,420</u>	<u>75,560</u>	<u>13,101</u>	<u>990,605</u>
Fund balance, end of year	<u><u>\$ 586,077</u></u>	<u><u>\$ 447,802</u></u>	<u><u>\$ 89,866</u></u>	<u><u>\$ 6,897</u></u>	<u><u>\$ 1,130,642</u></u>

Almira Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 140,037
 Amounts reported for governmental activities in the statement of activities are different because:	
 Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation, and a gain or loss is recognized when assets are disposed.	
Expenditures for capital assets	28,058
Current year depreciation	(94,956)
 Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net position:	
Principal payments on long-term debt	16,520
Change in Net Position of Governmental Activities	\$ 89,659

Almira Township

STATEMENT OF FIDUCIARY NET POSITION

March 31, 2014

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash	<u>\$ 62</u>	<u>\$ 3</u>	<u>\$ 65</u>
LIABILITIES			
Due to others	<u>\$ 62</u>	<u>\$ 3</u>	<u>\$ 65</u>

Almira Township

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework, and the significant accounting principles and practices of Almira Township, Benzie County, Michigan (the "Township") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the year ended March 31, 2014.

The Financial Reporting Entity

The Township is governed by an elected five-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-Wide and Fund Financial Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and the fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

NOTES TO FINANCIAL STATEMENTS - Continued

The program revenues must be directly associated with the 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 as general revenue.

Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The balance sheets, and statements of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the Township's governmental and fiduciary funds display information about the major and aggregated non-major funds for the various fund types. Major funds are generally those that represent 10% or more of the respective fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Township are prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. 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.

NOTES TO FINANCIAL STATEMENTS - Continued

The governmental funds use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the financial resources measurement focus, only current assets and current liabilities are generally included on governmental fund balance sheets. An exception to this general rule is long-term interfund advances which are recorded on governmental fund balance sheets. The governmental fund operating statements present a summary of sources and uses of available spendable resources. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (generally 60 days). Grants are recognized when grantor eligibility requirements are met. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The Fiduciary Funds are generally maintained on the accrual basis which is consistent with the accounting measurement objectives of the funds.

Fund Types and Major Funds

Activities in Major Funds

Governmental Funds

General Fund - The General Fund is used to account for all financial transactions except those accounted for in another fund. Revenues are derived primarily from property taxes, State and Federal distributions, grants and other intergovernmental revenues.

Fire and EMS Operating Fund - The Fire and EMS Operating Fund is used to account for a tax levy for the purpose of providing fire protection and EMS operations authorized by a vote of the Township residents.

Parks and Recreation Fund - The Parks and Recreation Fund is used to account for a tax levy for the purpose of parks and recreation maintenance authorized by a vote of the Township residents.

Activities in Non-major Funds

Governmental Funds

Fire/EMS Building Maintenance Fund - This fund are used to account for revenues restricted to a specific purpose by legal, regulatory or administrative requirements

Fiduciary Funds

Fiduciary Funds - The Trust and Agency Fund and Tax Collection Fund are used to account for assets held as an agent or in trust for others.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Special Revenue Funds. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the cost center level.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration.

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the cost center level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Township considers all highly liquid investments, including all certificates of deposit with a maturity of 90 days or less, to be cash equivalents.

Cash deposits are reported at carrying amounts which reasonably estimate fair value.

Property Taxes

Property taxes that are both measurable and available for use to finance operations are recorded as revenue in the period for which they are levied.

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

NOTES TO FINANCIAL STATEMENTS - Continued

The Township's 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended March 31, 2014, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the Township totaled \$131.8 million, on which taxes levied consisted of 0.7582 mills for operating purposes, 1.3611 mills for public safety, and 0.2750 mills for parks and recreation. This resulted in approximately \$99,000 for operating, \$179,000 for public safety and \$36,000 for parks and recreation. These amounts are recognized in the respective General and Special Revenue Funds financial statements as property tax revenues.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Repair and maintenance costs are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	25 - 40 years
Furniture and fixtures	10 years
Equipment	5 years
Vehicles	10 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to defer accumulated vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities statement of net position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Township board through approval of resolutions. Assigned fund balance is a limitation imposed by the Township supervisor. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed or assigned to those purposes.

NOTES TO FINANCIAL STATEMENTS - Continued

When both restricted and unrestricted fund balances are available for use, it is the Township's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification can be used.

Use of Estimates

The preparation of financial statements, in conformity with 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Subsequent Events

The Township has evaluated events and transactions to March 31, 2014 for potential recognition and disclosure through August 12, 2014, the date the financial statements were available to be issued. Management has not identified any subsequent events through August 12, 2014.

NOTE B - CASH AND CASH EQUIVALENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended by Act 196 P.A. 1997) authorizes local governmental units to make deposits and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board, in accordance with Public Act 196 of 1997, has authorized all of the investments in the State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

At March 31, 2014, the Township's cash and cash equivalents totaled \$1,077,912.

Custodial Credit Risk

In the event of bank failure, the Township's uninsured deposits may not be returned to it. As of March 31, 2014, \$593,509 of the Township's deposits were exposed to custodial credit risk because they were uninsured.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE C - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables are primarily comprised of amounts due from the State government. Revenue is recorded as earned when recognition criteria requirements are met.

Amounts due from other governments at March 31, 2014 are as follows:

Due from the State of Michigan	<u><u>\$ 57,516</u></u>
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NOTE D - CAPITAL ASSETS

Investment in capital assets changed as follows during the year ended March 31, 2014:

Governmental Activities

	<u>Beginning</u>	<u>Capital Acquisitions</u>	<u>Sales and Other Dispositions</u>	<u>Ending</u>
Capital assets not being depreciated				
Land	\$ 1,919,827	\$ -	\$ -	\$ 1,919,827
Capital assets being depreciated				
Buildings and improvements	1,493,000	-	-	1,493,000
Vehicles	603,991	-	-	603,991
Machinery and equipment	222,987	8,295	-	231,282
Land improvements	139,955	12,563	-	152,518
Furniture and fixtures	17,200	-	-	17,200
Software	-	7,200	-	7,200
Subtotal	2,477,133	28,058	-	2,505,191
Less accumulated depreciation	<u>(1,128,610)</u>	<u>(94,956)</u>	<u>-</u>	<u>(1,223,566)</u>
Net capital assets being depreciated	<u>1,348,523</u>	<u>(66,898)</u>	<u>-</u>	<u>1,281,625</u>
Governmental activities net capital assets	<u><u>\$ 3,268,350</u></u>	<u><u>\$ (66,898)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,201,452</u></u>

NOTES TO FINANCIAL STATEMENTS - Continued

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

Governmental activities	
General government	\$ 8,874
Public safety	65,899
Recreation and culture	<u>20,183</u>
Total governmental activities	<u>\$ 94,956</u>

NOTE E - LONG-TERM DEBT

The following is a summary of the Township's long-term debt for the year ended March 31, 2014:

	<u>Beginning Balance</u>	<u>New Debt</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Governmental activities					
Land purchase loan	\$ 39,709	\$ -	\$ (16,520)	\$ 23,189	\$ 17,376

The Township entered into a \$100,000 installment loan with a bank on September 25, 2006 for the purchase of land to be paid back over ten years. Principal and interest are payable monthly at \$1,021 beginning October 25, 2006 at an interest rate of 4.123%.

The annual requirements to amortize all long-term debt obligations outstanding, as of March 31, 2014, are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 17,376	\$ 624
2016	<u>5,813</u>	<u>43</u>
	<u>\$ 23,189</u>	<u>\$ 667</u>

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE F - RESTRICTED NET POSITION/FUND BALANCE

Restricted net position includes amounts that have limitations imposed by creditors, grantors or contributors, or by enabling legislation or constitutional provisions. The Township's restricted net position balances at March 31, 2014 are as follows:

	<u>Restricted Net Position</u>
Restricted for Special Revenue Purposes:	
Fire and EMS Operating Fund	\$ 447,802
Parks and Recreation Fund	89,866
Fire/EMS Building Maintenance Fund	<u>6,897</u>
Total Special Revenue Restricted Net Assets	<u><u>\$ 544,565</u></u>

NOTE G - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE H - DEFINED CONTRIBUTION PENSION PLAN

The Township participates in a defined contribution plan through John Hancock Life Insurance. As established by the Township Board, the Township contributes 9% of the salaries of all elected officials, the zoning administrator, assessor, administrative assistants, maintenance, deputy clerk, and fire department officials. The Township will pay 100% of the annual contribution. The plan covers all participants with immediate 100% vesting. The current year employer contribution was \$17,665. The Township provides social security coverage for its officials and employees not covered by the pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

Almira Township

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended March 31, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Property taxes	\$ 107,632	\$ 107,632	\$ 111,387	\$ -	\$ 3,755
Licenses and permits	1,500	1,500	1,830	-	330
State sources	262,918	262,918	265,030	-	2,112
Charges for services	36,488	36,488	41,143	-	4,655
Interest income	600	600	315	-	(285)
Other	<u>7,200</u>	<u>7,200</u>	<u>6,598</u>	-	<u>(602)</u>
Total revenues	<u>416,338</u>	<u>416,338</u>	<u>426,303</u>	-	<u>9,965</u>
EXPENDITURES					
Legislative					
Township board	85,710	85,710	74,246	-	11,464
General government					
Elections	5,840	5,840	3,083	-	2,757
Assessor	57,593	57,593	50,168	-	7,425
Clerk	28,592	28,592	24,588	-	4,004
Board of review	1,225	1,225	1,105	-	120
Treasurer	28,142	28,142	26,738	-	1,404
Township office	27,310	27,310	24,422	-	2,888
Township hall	5,200	5,200	4,646	-	554
Township maintenance	22,961	22,961	22,181	-	780
Cemetery	7,100	7,100	4,090	-	3,010
Supervisor	25,218	25,218	23,947	-	1,271
Public safety					
Planning	12,200	12,200	5,502	-	6,698
Zoning	21,616	21,616	2,505	-	19,111
Public works					
Roads	10,000	10,000	5,512	-	4,488
Culture and recreation					
Parks and recreation	500	500	226	-	274
Library	10,955	10,955	9,567	-	1,388
Other					
Miscellaneous	23,505	23,505	-	-	23,505
Capital outlay	<u>42,671</u>	<u>42,671</u>	<u>31,224</u>	-	<u>11,447</u>
Total expenditures	<u>416,338</u>	<u>416,338</u>	<u>313,750</u>	-	<u>102,588</u>
REVENUES OVER EXPENDITURES	-	-	<u>112,553</u>	-	<u>112,553</u>
Fund balance, beginning of year	<u>473,524</u>	<u>473,524</u>	<u>473,524</u>	-	-
Fund balance, end of year	<u><u>\$ 473,524</u></u>	<u><u>\$ 473,524</u></u>	<u><u>\$ 586,077</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 112,553</u></u>

Almira Township

BUDGETARY COMPARISON SCHEDULE - FIRE AND EMS OPERATING FUND

Year ended March 31, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
	REVENUES				
Property taxes	\$ 190,508	\$ 190,508	\$ 178,589	\$ -	\$ (11,919)
Charges for services	40,000	40,000	28,624	-	(11,376)
Interest	1,000	1,000	450	-	(550)
Other	-	-	1,739	-	1,739
Total revenues	231,508	231,508	209,402	-	(22,106)
EXPENDITURES					
Public safety	210,308	210,308	180,044	-	30,264
Capital outlay	21,200	21,200	9,976	-	11,224
Total expenditures	231,508	231,508	190,020	-	41,488
REVENUES OVER EXPENDITURES	-	-	19,382	-	19,382
Fund balance, beginning of year	428,420	428,420	428,420	-	-
Fund balance, end of year	<u>\$ 428,420</u>	<u>\$ 428,420</u>	<u>\$ 447,802</u>	<u>\$ -</u>	<u>\$ 19,382</u>

Almira Township

BUDGETARY COMPARISON SCHEDULE - PARKS AND RECREATION FUND

Year ended March 31, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Property taxes	\$ 38,557	\$ 38,557	\$ 36,074	\$ -	\$ (2,483)
Charges for services			870	-	870
Interest			55	-	55
Other	-	-	467	-	467
Total revenues	38,557	38,557	37,466	-	(1,091)
EXPENDITURES					
Recreation and culture	35,597	35,597	23,050	-	12,547
Capital outlay	2,960	2,960	110	-	2,850
Total expenditures	38,557	38,557	23,160	-	15,397
REVENUES OVER EXPENDITURES	-	-	14,306	-	14,306
Fund balance, beginning of year	<u>75,560</u>	<u>75,560</u>	<u>75,560</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,560</u>	<u>\$ 75,560</u>	<u>\$ 89,866</u>	<u>\$ -</u>	<u>\$ 14,306</u>

AUDIT-RELATED COMMUNICATIONS

To the Board of Trustees
Almira Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Almira Township (the "Township") for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Internal Controls

In planning and performing our audit of the financial statements of the Township, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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'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. However, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

Segregation of Duties

We remind you that an inherent weakness in your system of internal control exists because the limited size of your staff does not permit an adequate segregation of duties. Without an adequate segregation of duties, there is an increased risk that errors or fraud could occur and not be detected. We can provide consulting services to help you identify your greatest risk exposures and design procedures to reduce those risks to the extent reasonably possible.

Although there is no indication of any significant errors or misappropriation of assets, we recommend the Board of Trustees continue its financial oversight involvement due to the inherent lack of segregation of duties.

Preparation of Financial Statements/Cash to Accrued Adjustments

The preparation of financial statements is the responsibility of the Township management and requires internal controls over both (1) recording, processing and summarizing financial data (i.e., maintaining internal books and records) and (2) reporting this financial data in the form of financial statements, including all related note disclosures (i.e., external financial reporting). The Township has historically relied on their independent external auditors to assist with the preparation of the financial statements and related note disclosures as part of its external financial reporting process. In addition, the independent external auditors have made cash to accrual adjustments for property tax, state shared and patient billing revenues. Accordingly, the Township's ability to adjust its books and records and prepare financial statements is based, in part, on its reliance on its external auditors who cannot, by definition, be considered a part of the Township's internal controls. This condition is not uncommon for governmental units of similar size

The following additional matters are not considered to be material weaknesses or significant deficiencies in internal control, but are opportunities to strengthen internal controls, reporting and operating efficiency:

Fund Balance Policy

The Township does not have a formal fund balance policy. We recommend the Township implement a fund balance policy for GASB 54.

During March 2009, the Governmental Accounting Standards Board ("GASB") issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for periods beginning after June 15, 2010. This statement will significantly change how fund balance information is reported. The statement is intended to improve the usefulness of the amount reported in fund balance by providing more structured classification. The statement also clarifies the definition of existing governmental fund types. We recommend the Township review GASB No. 54 and consider whether any changes to current practices are needed. We suggest the Township review the following items for disclosure:

- Adopt a policy that identifies the highest level of decision-making authority needed to commit a balance and the person authorized to assign a balance,
- Explain the order of spending from restricted, committed, assigned or unassigned balances, and
- Identify any minimum fund-balance requirements.

Payroll Register Approval

During our walk-through testing of payroll, we noted there is no approval of the payroll register. We recommend someone review the payroll register after the Clerk prepares the payroll and sign the payroll register as evidence of approval.

Qualitative Aspects of Accounting Practices

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. However, none of the disclosures are considered to be particularly sensitive.

The financial statement disclosures are neutral, consistent and clear.

No 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. Below is a summary of corrected adjustments of the financial statements.

Corrected Adjustments

- Reverse 2011-2012 accounts receivable of \$38,825
- Reverse 2012-2013 revenue from state revenue sharing for \$57,797
- Record State of Michigan receivable for \$57,516
- Reverse 2012-2012 taxes receivable of \$24,110
- Reverse 2012-2013 property taxes received in 2013-2014 for \$21,426
- Record delinquent real property taxes receivable of \$17,693
- Reverse 2011-2012 patient receivable balance of \$16,759
- Reverse 2012-2013 patient receivable balance of \$14,056
- Record 2013-2014 patient receivable of \$8,799

No 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 August 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township'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.

Financial Reporting for Pension Plans

In June 2012, the Governmental Accounting Standards Board ("GASB") issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans administered through trusts, and Statement No. 68, *Accounting and Reporting for Pensions*, which revises and establishes new accounting and financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 67 expands the current financial reports for defined benefit pension plans. The Statement also expands note disclosures and requires 10-year information be reported about annual money-weighted rates of return. Statement No. 68 requires employers report net pension benefits as a liability on the Statement of Net Position. The Standard requires immediate recognition of the pension expense, including annual service cost and interest, and the effect of changes in benefit terms on the net pension liability. Cost-sharing employers are required to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also requires expanded note disclosures and required supplementary information covering the past 10 years for the net pension liability. Statement No. 67 is effective for fiscal years beginning after June 15, 2013. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

Government Combinations and Disposals of Government Operations

In January 2013, the Governmental Accounting Standards Board ("GASB") issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The Statement requires the use of carrying value to measure assets and liabilities in a government merger; acquisition value in the measurement of assets acquired and liabilities assumed in an acquisition; and carrying value to measure the assets and liabilities in a transfer of operations. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. The requirements of the standard are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

Nonexchange Financial Guarantees

In April 2013, the Governmental Accounting Standards Board ("GASB") issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. A nonexchange financial guarantee occurs when a government extends a financial guarantee for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximate value in exchange. The statement requires governments that extend these guarantees recognize a liability if quantitative factors and historical data, if any, indicate it is more likely than not that the government will be required to make a payment on the guarantee. The liability is measured at the discounted present value of the best estimate of future outflows expected under the guarantee. The statement requires the government that has issued the obligation guaranteed to recognize revenue to the extent of the reduction in its guaranteed liabilities, or when released as an obligor on the obligation. The provision of the Statement are effective for reporting periods beginning after June 15, 2013.

Governmental Audit Quality Center Auditee Resource Center

Dennis, Gartland & Niergarth is a member of the American Institute of CPA's ("AICPA") Governmental Audit Quality Center ("GAQC"), which entitles us with access to key information and comprehensive resources that we use to help ensure our compliance with appropriate professional standards and laws and regulations that affect our audits. The GAQC has recently launched a new Auditee Resource Center, which is intended to assist procurers of audit services (i.e., auditees). The Auditee Resource Center includes information, practice aids, tools and other resources such as articles, archived GAQC web events, and access to certain GAQC Alerts, that should be of interest and benefit to auditees. Topics covered include information that will be relevant to auditees that undergo: (1) government or not-for-profit organization ("NPO") financial statement audits; (2) audits performed under *Government Auditing Standards* (referred to as Yellow Book audits); (3) audits of Federal expenditures made by governments and NPOs (referred to as single audits); and (4) other Federally required compliance audits.

All resources available through the Auditee Resource Center are open to the public. You may access the Auditee Resource Center through the GAQC Web site at: www.aicpa.org/GAQC. Look for the link to the Auditee Resource Center under the "Quick Links" tab on the left side of the GAQC home page. We appreciate your business and are happy we can share the benefits of our GAQC membership with you.

Other Matters

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

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

Dennis, Gartland & Niergarth

August 12, 2014