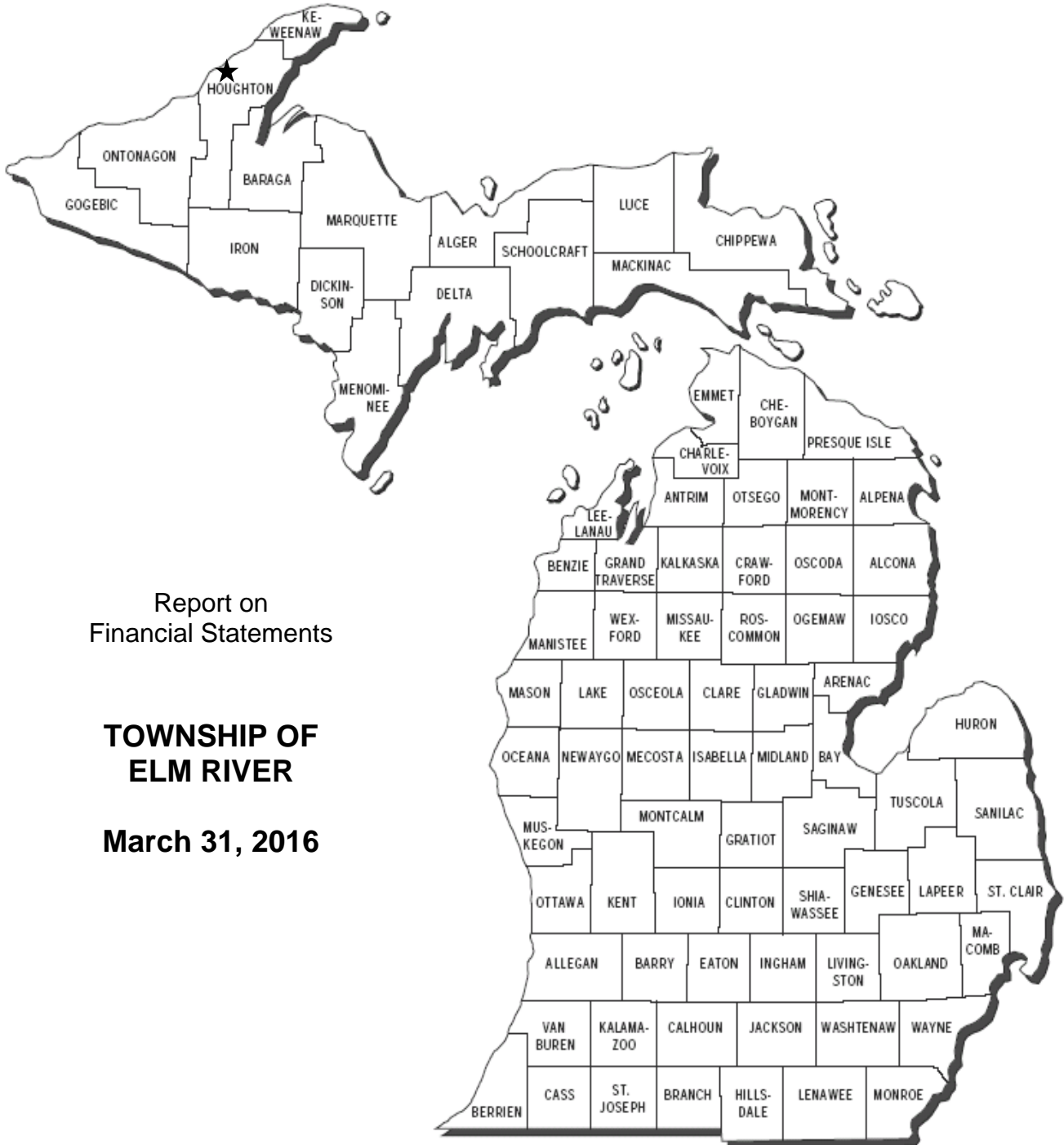


STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

Nick A. Khouri, State Treasurer



Report on
Financial Statements

**TOWNSHIP OF
ELM RIVER**

March 31, 2016

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

TOWNSHIP BOARD
(July 27, 2016)

John Reynolds
Supervisor

Sherri Brandt
Clerk

Cheryl Reynolds
Treasurer

David Saari
Trustee

Richard Trudgeon
Trustee

TOWNSHIP POPULATION--2010
177

STATE EQUALIZED VALUATION--2016
\$32,430,342



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

July 27, 2016

Township Board
Township of Elm River
32850 Highway M-26
Toivola, Michigan 49965

Independent Auditor's Report

Dear Board Members:

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 Elm River Township, Houghton County, Michigan, as of and for the fiscal year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise Elm River 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 misstatements, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elm River Township, Houghton County, Michigan, as of March 31, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 7 and the Budgetary Comparisons for Major Funds on Exhibits F through J be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elm River Township's basic financial statements. The accompanying supplementary and related information presented as Exhibits K and L are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits K and L 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 accompanying supplementary and related information presented in Exhibits K and L are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016, on our consideration of Elm River Township'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 Elm River Township's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Government Financial Services Division

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A - Government-Wide Statement of Net Position	8
EXHIBIT B - Government-Wide Statement of Activities	9
EXHIBIT C - Balance Sheet--Governmental Funds	10
EXHIBIT C-1 - Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position of Governmental Activities on the Statement of Net Position.....	11
EXHIBIT D - Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds	12
EXHIBIT D-1 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
EXHIBIT E - Statement of Net Position--Fiduciary Funds	14
NOTES TO FINANCIAL STATEMENTS.....	15
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
EXHIBIT F - Budgetary Comparison Schedule--General Fund.....	28
EXHIBIT G - Budgetary Comparison Schedule--Road Fund--Major Special Revenue Fund.....	29
EXHIBIT H - Budgetary Comparison Schedule--Fire Fund--Major Special Revenue Fund.....	30
EXHIBIT I - Budgetary Comparison Schedule--Fire Truck Fund--Major Special Revenue Fund.....	31
EXHIBIT J - Budgetary Comparison Schedule--Liquor Law Enforcement-- Major Special Revenue Fund	32

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

**TABLE OF CONTENTS
(CONTINUED)**

Page

SUPPLEMENTARY INFORMATION AND SCHEDULES

EXHIBIT K - Schedule of Revenues--By Source Budget and Actual--General Fund	33
EXHIBIT L - Schedule of Expenditures and Other Financing Uses--By Activity Budget and Actual--General Fund	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	35
Report to Those Charged With Governance	37
Schedule of Findings and Responses	40

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended March 31, 2016

Our discussion and analysis of the Township of Elm River's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2016.

Using this Annual Report

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The annual report also contains supplementary information in addition to the basic financial statements and required supplementary information. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B 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 start with Exhibit C. For governmental activities, these statements tell how these 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 remaining statements provide financial information about activities for which the Township acts solely as trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

The Statement of Net Position and the Statement of Activities report information about the Township, as a whole, and about its activities in a way that helps answer the question of whether the Township, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Township's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements, mentioned above, report the Township's net position and how they have changed. The reader can think of the Township's net position as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the county's property tax base which affect the amount of taxes received and changes in the laws related to the operating assistance received from the Federal and State governments.

In the Statement of Net Position and the Statement of Activities, the Township has the following activities:

- Governmental activities—Most of the Township's basic services are reported here, including general government, public safety, and public works. Property taxes finance most of these activities.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2016**

The Township as a Whole

The Township's combined net position increased from \$203,964 to \$265,392 or a difference of \$61,428 for the fiscal year ended March 31, 2016. The Township's net position for the governmental funds increased from a year ago due mainly to the increase in tax revenues generated from the new millage for road maintenance and an increase in capital contributions, offset by an overall decrease in operating expenses.

In a condensed format, table 1 below shows a comparison of the net position as of the current fiscal year to the prior fiscal year.

Table 1
Net Position of Governmental Type Activities

	Governmental Activities		Increase (Decrease) Variance	% of Change
	2015	2016		
Current and Other Assets	\$ 208,844	\$ 261,157	\$ 52,313	25%
Capital Assets	73,254	67,078	(6,176)	-8%
Total Assets	282,098	328,235	46,137	16%
Other Liabilities	45,528	39,237	(6,291)	-14%
Long-Term Liabilities	32,606	23,606	(9,000)	-28%
Total Liabilities	78,134	62,843	(15,291)	-20%
Net Position				
Net Investment in Capital Assets	40,648	43,472	2,824	7%
Restricted	83,140	109,263	26,123	31%
Unrestricted	80,176	112,657	32,481	41%
Total Net Position	\$ 203,964	\$ 265,392	\$ 61,428	30%

Restricted net positions are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy charges, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation.

A portion of the Township's net position in the amount of \$43,472 reflects its investments in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire those assets that are still outstanding. This amount increased by \$2,824 or 7 percent over the prior fiscal year amount of \$40,648. The Township uses these capital assets to provide

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2016**

services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position, \$109,263, represents resources that are subject to external restrictions on how they may be used. Restricted net position increased by \$26,123 or 31 percent over the prior fiscal year amount of \$83,140. The remaining balance of \$112,657 represents "unrestricted net position" that may be used to meet the Township's ongoing obligations to citizens and creditors. Unrestricted net position increased by \$32,481 or 41 percent over the prior fiscal year amount of \$80,176.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2016**

The following table shows the change in net position for the current fiscal year ending March 31, 2016 compared to the prior fiscal year:

**Table 2
Changes in Net Position**

	<u>Governmental Activities</u>			
	<u>2015</u>	<u>2016</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ -	\$ 860	\$ 860	100%
Operating Grants and Contributions	1,210	1,210	-	0%
Capital Grants and Contributions	-	12,956	12,956	100%
General Revenues				
Property Taxes	186,080	196,939	10,859	6%
State-Shared Revenues	14,994	14,034	(960)	-6%
Unrestricted Investment Earnings	32	16	(16)	-50%
Other Revenue	<u>2,036</u>	<u>50</u>	<u>(1,986)</u>	<u>-98%</u>
Total Revenues	<u>204,352</u>	<u>226,065</u>	<u>21,713</u>	<u>11%</u>
Program Expenses				
General Government	97,514	71,826	(25,688)	-26%
Public Safety	37,868	38,144	276	1%
Public Works	62,309	53,473	(8,836)	-14%
Recreation and Culture			-	
Other	4,818	-	(4,818)	-100%
Depreciation--Unallocated			-	
Interest on Long-Term Debt	<u>1,556</u>	<u>1,194</u>	<u>(362)</u>	<u>-23%</u>
Total Expenses	<u>204,065</u>	<u>164,637</u>	<u>(39,428)</u>	<u>-19%</u>
Change in Net Position	287	61,428	61,141	21303%
Ending Net Position	<u>\$ 203,964</u>	<u>\$ 265,392</u>	<u>\$ 61,428</u>	<u>30%</u>

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended March 31, 2016

Governmental -Type Activities

The Township's total governmental revenues increased \$21,713, mainly due to an increase in tax revenues for a new road maintenance millage as well as increases in capital contributions. Expenditures decreased \$39,428 primarily due to decreases in general government and public works.

The Township's Funds

Our analysis of the Township's major funds is listed in the audit report (Exhibit C), following the entity-wide financial statements. As the Township completed the fiscal year, its governmental fund (as presented on the balance sheet on Exhibit C) reported a fund balance of \$221,920 which is \$58,604 more than the prior fiscal year's \$163,316. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph.

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 2016 include the General Fund, Road Fund, Fire Fund, Fire Truck Fund and the Liquor Law Enforcement Fund.

The General Fund pays for most of the Township's governmental services. The most significant governmental expenditures (Exhibit D) are for general government and public works, which incurred expenses of \$69,840 and \$53,473, respectively in 2016. These services are supported by the operating millage and State-shared revenues. The Road Fund accounts for the road millage that is restricted for road maintenance. The Fire Fund accounts for the fire operating millage that is restricted for fire protection and other emergency health and safety services. The Fire Truck Fund accounts for the fire truck debt millage that is restricted for the payment of debt related to the fire truck purchase. The Liquor Law Enforcement Fund accounts for the distribution of state liquor law enforcement money that is restricted for enforcing the liquor control act.

General Fund Budgetary Highlights

The Township Board did not amend the budget to take into account events occurring during the year, primarily for general operating expenses.

The Township's revenue budget was \$159,325 during fiscal year 2016. Actual General Fund revenues totaled \$148,671, which was \$10,654 below the final amended budget. A significant cause of this variance was recognition of less state grants than what was included in the budget.

The Township's expenditure budget was \$159,325 during fiscal year 2016. Actual General Fund expenditures totaled \$116,190, which was \$43,135 below the final amended budget. The largest variance was a decrease in general government and public works.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2016

Capital Asset and Debt Administration

Capital Asset

At fiscal year end March 31, 2016, the Township had \$67,078 invested in a broad range of capital assets, including buildings and improvements as well as fire vehicles. This amount represents a net decrease (including additions and deductions) of \$6,176.

Table 3
Capital Assets at Year End

	<u>3/31/2015</u>	<u>3/31/2016</u>
Capital Assets Not Being Depreciated		
Land	<u>\$ 6,000</u>	<u>\$ 6,000</u>
Subtotal	<u>6,000</u>	<u>6,000</u>
Capital Assets Being Depreciated		
Buildings and Improvements	88,632	88,632
Fire Vehicles	<u>241,245</u>	<u>259,201</u>
Subtotal	<u>329,877</u>	<u>347,833</u>
Less Accumulated Depreciation for		
Buildings and Improvements	60,427	63,239
Fire Vehicles	<u>202,196</u>	<u>223,516</u>
Subtotal	<u>262,623</u>	<u>286,755</u>
Net Capital Assets Being Depreciated	<u>67,254</u>	<u>61,078</u>
Governmental Activities Capital Total		
Capital Assets--Net of Depreciation	<u>\$ 73,254</u>	<u>\$ 67,078</u>

The current years capital addition in the amount of \$17,956 include a new Fiberglass tank purchased to go on one of the Township's Fire tanker trucks during the fiscal year. Depreciation amounted to \$24,132 during the fiscal year.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended March 31, 2016**

Debt Administration

As of March 31, 2016, the Township had \$23,606 in outstanding debt obligations versus \$32,606 in the prior fiscal year, a decrease of \$9,000. The decrease is due to the continued scheduled payment on debt made during fiscal year 2016.

**Table 4
Outstanding Debt at Year End**

	Governmental Activities	
	2015	2016
Installment Loan Payable	\$ 32,606	\$ 23,606
Total Outstanding Debt	\$ 32,606	\$ 23,606

See Note D and E in the Notes to Financial Statements for additional information related to the Township's capital assets and long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Township will again be closely monitoring its budget as revenues will remain relatively the same as the Township continues to try to cut expenses.

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 accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Office at 32850 Highway M-26, Toivola, Michigan 49965.

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2016**

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 250,060
Delinquent Taxes Receivable	9,048
Due From State	<u>2,049</u>
Total Current Assets	<u>261,157</u>
Noncurrent Assets	
Capital Assets--Depreciating	61,078
Capital Assets--Non-Depreciating	<u>6,000</u>
Total Noncurrent Assets	<u>67,078</u>
Total Assets	<u>328,235</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	29,750
Due to State	700
Accrued Liabilities	<u>8,787</u>
Total Current Liabilities	<u>39,237</u>
Noncurrent Liabilities	
Notes Payable--Due Within One Year	9,000
Notes Payable--Due in More Than One Year	<u>14,606</u>
Total Noncurrent Liabilities	<u>23,606</u>
Total Liabilities	<u>62,843</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	43,472
Restricted for	
Road Maintenance	39,930
Fire Operations	44,139
Fire Truck	21,432
Liquor Law Enforcement	3,762
Unrestricted	<u>112,657</u>
Total Net Position	<u>\$ 265,392</u>

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2016

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>REVENUE AND CHANGES IN NET POSITION</u>
					<u>Total</u>
Primary Government					
Governmental Activities					
General Government	\$ 71,826	\$ 860	\$ -	\$ -	\$ (70,966)
Public Safety	38,144	-	1,210	12,956	(23,978)
Public Works	53,473	-	-	-	(53,473)
Interest on Long-Term Debt	1,194	-	-	-	(1,194)
Total Governmental Activities	\$ 164,637	\$ 860	\$ 1,210	\$ 12,956	\$ (149,611)
General Revenues					
Property Taxes					196,939
State-Shared Revenues					14,034
Unrestricted Investment Earnings					16
Other					50
Total General Revenues					211,039
Change in Net Position					61,428
Net Position--Beginning					203,964
Net Position--Ending					\$ 265,392

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2016

EXHIBIT C

	<u>SPECIAL REVENUE FUNDS</u>					Total Governmental Funds
	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Fire Truck</u>	<u>Liquor Law Enforcement</u>	
<u>ASSETS</u>						
Cash	\$ 143,502	\$ 38,674	\$ 43,300	\$ 20,682	\$ 3,902	\$ 250,060
Delinquent Taxes Receivable	5,793	1,256	1,249	750	-	9,048
Due From State	2,049	-	-	-	-	2,049
Total Assets	<u>\$ 151,344</u>	<u>\$ 39,930</u>	<u>\$ 44,549</u>	<u>\$ 21,432</u>	<u>\$ 3,902</u>	<u>\$ 261,157</u>
<u>LIABILITIES</u>						
Liabilities						
Accounts Payable	\$ 29,340	\$ -	\$ 410	\$ -	\$ -	\$ 29,750
Due to State	700	-	-	-	-	700
Accrued Liabilities	8,647	-	-	-	140	8,787
Total Liabilities	<u>38,687</u>	<u>-</u>	<u>410</u>	<u>-</u>	<u>140</u>	<u>39,237</u>
<u>FUND BALANCE</u>						
Restricted for						
Road Maintenance	-	39,930	-	-	-	39,930
Fire Services	-	-	44,139	-	-	44,139
Fire Truck	-	-	-	21,432	-	21,432
Liquor Law Enforcement	-	-	-	-	3,762	3,762
Unassigned	112,657	-	-	-	-	112,657
Total Fund Balance	<u>112,657</u>	<u>39,930</u>	<u>44,139</u>	<u>21,432</u>	<u>3,762</u>	<u>221,920</u>
Total Liabilities and Fund Balance	<u>\$ 151,344</u>	<u>\$ 39,930</u>	<u>\$ 44,549</u>	<u>\$ 21,432</u>	<u>\$ 3,902</u>	<u>\$ 261,157</u>

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

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET POSITION
March 31, 2016**

EXHIBIT C-1

Fund Balances--Total Governmental Funds	\$ 221,920
-----------------------------------------	------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Add--Capital Assets	353,833
Deduct--Accumulated Depreciation	<u>(286,755)</u>

Net Capital Asset Addition	<u>67,078</u>
----------------------------	---------------

Long-term liabilities are not due and payable in the current period, therefore, they are not reported in the funds.

Long-Term Liabilities	<u>(23,606)</u>
-----------------------	-----------------

Net Position of Governmental Activities	<u><u>\$ 265,392</u></u>
-----------------------------------------	--------------------------

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Fiscal Year Ended March 31, 2016

EXHIBIT D

	<u>SPECIAL REVENUE FUNDS</u>					Total Governmental Funds
	General	Road	Fire	Fire Truck	Liquor Law Enforcement	
Revenues						
Taxes	\$ 133,713	\$ 24,318	\$ 24,318	\$ 14,590	\$ -	\$ 196,939
State Grants	14,034	-	-	-	1,210	15,244
Contributions	-	-	12,956	-	-	12,956
Charges for Services	860	-	-	-	-	860
Interest and Rentals	64	-	-	2	-	66
Total Revenues	<u>148,671</u>	<u>24,318</u>	<u>37,274</u>	<u>14,592</u>	<u>1,210</u>	<u>226,065</u>
Expenditures						
Current						
General Government	69,840	-	-	-	-	69,840
Public Safety	-	-	14,045	-	1,953	15,998
Public Works	46,350	7,123	-	-	-	53,473
Capital Outlay	-	-	17,956	-	-	17,956
Debt Service--Principal	-	-	-	9,000	-	9,000
Debt Service--Interest	-	-	-	1,194	-	1,194
Total Expenditures	<u>116,190</u>	<u>7,123</u>	<u>32,001</u>	<u>10,194</u>	<u>1,953</u>	<u>167,461</u>
Net Change in Fund Balances	32,481	17,195	5,273	4,398	(743)	58,604
Fund Balance--April 1, 2015	<u>80,176</u>	<u>22,735</u>	<u>38,866</u>	<u>17,034</u>	<u>4,505</u>	<u>163,316</u>
Fund Balance--March 31, 2016	<u>\$ 112,657</u>	<u>\$ 39,930</u>	<u>\$ 44,139</u>	<u>\$ 21,432</u>	<u>\$ 3,762</u>	<u>\$ 221,920</u>

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

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended March 31, 2016**

EXHIBIT D-1

Net Change in Fund Balances--Total Governmental Funds \$ 58,604

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	17,956
Deduct--Depreciation Expense	(24,132)

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Add--Principal Payments on Long-Term Liabilities	<u>9,000</u>
--------------------------------------------------	--------------

Change in Net Position of Governmental Activities	<u><u>\$ 61,428</u></u>
---------------------------------------------------	-------------------------

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

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
STATEMENT OF NET POSITION--
FIDUCIARY FUNDS
March 31, 2016**

EXHIBIT E

	Agency Fund
<u>ASSETS</u>	
Cash	\$ 72,417
Total Assets	<u>\$ 72,417</u>
<u>LIABILITIES</u>	
Liabilities	
Undistributed Tax Collections	<u>72,417</u>
Total Liabilities	<u>\$ 72,417</u>

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Elm River conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity

The Township, which covers an area of approximately 93.3 square miles, is located in Houghton County and provides services to approximately 177 residents in many areas including public safety, public works, general administrative services, and community enrichment and development. The Township is a general law township, and is governed by a 5-member Board elected by the citizens of the Township. The board consists of the supervisor, clerk, treasurer, and two trustees whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements represent the Township for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Township.

Basis of Presentation--Government-Wide 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 Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support.

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation—Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Road Fund accounts for the Township millage revenue that is reserved for road maintenance and improvements.

The Fire Operating Fund accounts for the Township millage revenue that is reserved for the operation of the fire department.

The Fire Truck Fund accounts for the Township millage revenue that is reserved for the fire truck purchase.

The Liquor Law Enforcement Fund accounts for state liquor license revenue that is restricted for the enforcement of liquor laws.

Additionally, the Township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Bank Deposits and Investments

Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31.

It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payment from the county for the 2015 delinquent taxes, which it purchased subsequent to March 31, is recorded as delinquent taxes receivable in the General Fund and Special Revenue Funds.

The 2015 taxable value of the Township amounted to \$21,647,416, on which ad valorem taxes of 1.3000 allocated mills and 2.9383 extra voted mills were levied for Township operating purposes; 1.0000 extra voted mills were levied for Township road maintenance purposes; 1.0000 extra voted mills were levied for Township fire purposes, and .6000 mills were levied for the Township Fire Truck debt payments, resulting in property tax revenue of \$87,793, \$20,706, \$20,714, and \$12,427, respectively, during the fiscal year ended March 31, 2016.

These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

Taxes Receivable--Delinquent

The delinquent taxes receivable in the General Fund of \$5,793, in the Road Fund of \$1,256, in the Fire Operating Fund of \$1,249, and in the Fire Truck Fund of \$750 consist of uncollected real property taxes levied December 1, 2015, which have not been collected as of March 31, 2016. The County settled with the Township and received the delinquent taxes in May 2016.

Capital Assets

Capital assets which include property, plant and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Buildings and Improvements	20 to 40 years
Equipment	3 to 10 years
Vehicles	5 to 10 years

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Non-spendable - includes fund balance amounts in governmental funds to designate amounts which are not available for spending, or are legally or contractually required to be maintained.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The Township reports the following restricted fund balances:

- Fire Operating fund accounts for earmarked revenue for fire department services and the extra voted millage collected for the operations of the Township's fire department.
- Fire Truck fund accounts for the extra voted millage collected for the debt payments of the Township's fire truck.
- Liquor Law fund accounts for the State liquor license revenue restricted for the enforcement of liquor laws.

Committed - includes fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority.

Assigned - includes fund balance amounts that are intended to be used for a specific purpose.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned fund balance is the residual classification for the Township's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Elm River Township Board. The Township Board has not established a policy for its use of unrestricted fund balance amounts.

Elm River Township does not have a formal minimum fund balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the Township supervisor and adopted by the Township board after the annual public hearing. The Township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by 1968 Public Act (PA) 2 of 1968.

Excess of Expenditures Over Appropriation in Budgeted Funds

1968 PA 2 requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2016

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

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Final Amended Budget</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Supervisor	\$ 5,460	\$ 5,919	\$ (459)
Clerk	9,695	12,524	(2,829)
Treasurer	11,260	16,992	(5,732)
Road Fund			
Public Works	-	7,123	(7,123)
Fire Operating Fund			
Capital Outlay	-	17,956	(17,956)
Liquor Law Enforcement Fund			
Public Safety	1,865	1,953	(88)

The Township will use the budget features of the accounting software to ensure compliance with the budgets.

Failure to Distribute Taxes

As of March 31, 2016, the Township failed to distribute in accordance with MCL 211.43 over \$72,000 from taxes collected recorded as undistributed tax collections noted on Exhibit E.

NOTE C--CASH AND INVESTMENTS

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

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2016

NOTE C--CASH AND INVESTMENTS (Continued)

The Township board has designated two financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with 1943 Public Act 20, has authorized investment in the instruments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 250,060</u>	<u>\$ 72,417</u>	<u>\$ 322,477</u>
Total	<u><u>\$ 250,060</u></u>	<u><u>\$ 72,417</u></u>	<u><u>\$ 322,477</u></u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 322,477
Investments	<u>-</u>
Total	<u><u>\$ 322,477</u></u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because non-negotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

AS of March 31, 2016, the bank balance of the primary government's deposits is \$322,934, of which \$250,003 is covered by Federal depository insurance. The remaining \$72,931 is uncollateralized.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE C--CASH AND INVESTMENTS (Continued)

Deposits and Investments Authorized by the Township's Investment Policy

The Township's investment policy authorizes investment in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The Township's investment policy requires prior approval of the Township board for the treasurer to invest in any other investment instruments. The Township board approved investment policy authorizes the Township treasurer to invest with the Michigan CLASS program administered by MBIA Asset Management.

Risk

In accordance with GASB Statement No. 40, deposits and investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. The custodial credit risk, the credit risk, and the interest rate risk are discussed in the following paragraphs.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Township's investment policy requires assets to be diversified to reduce the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities (excluding U.S. Treasury securities and insured certificates of deposits).

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. The Township's investment policy does not address exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Township's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2016

NOTE C--CASH AND INVESTMENTS (Continued)

Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The Township's investment policy does not address exposure to custodial credit risk for investments.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Township's return on investment is of secondary importance compared to safety and liquidity objectives. Investments are selected to obtain a market average rate of return. The core of investments is limited to relatively low risk securities. However, the Township's investment policy does not address exposure to interest rate risk for deposits and investments.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2016

NOTE D--CAPITAL ASSETS

Capital asset activities of the Township for the current year were as follows:

<u>Governmental Activities</u>	<u>Account Balances 04/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Account Balances 03/31/16</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,000</u>
Subtotal	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Capital Assets Being Depreciated				
Buildings and Improvements	88,632	-	-	88,632
Vehicles	<u>241,245</u>	<u>17,956</u>	<u>-</u>	<u>259,201</u>
Subtotal	<u>329,877</u>	<u>17,956</u>	<u>-</u>	<u>347,833</u>
Less Accumulated Depreciation				
Buildings and Improvements	60,427	2,812		63,239
Vehicles	<u>202,196</u>	<u>21,320</u>	<u>-</u>	<u>223,516</u>
Subtotal	<u>262,623</u>	<u>24,132</u>	<u>-</u>	<u>286,755</u>
Net Capital Assets Being Depreciated	<u>67,254</u>	<u>(6,176)</u>	<u>-</u>	<u>61,078</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 73,254</u>	<u>\$ (6,176)</u>	<u>\$ -</u>	<u>\$ 67,078</u>

The depreciation expense was \$24,132 during the year. Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 1,986
Public Safety	<u>22,146</u>
Total Governmental Activities	<u>\$24,132</u>

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended March 31, 2016

NOTE E--LONG-TERM DEBT

The individual long-term debt and other general long-term obligations of Elm River Township, and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>04/01/15</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>03/31/16</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
2007 USDA note payable for 15 years at a rate of 4.25% for the purchase of International Pumper Truck	\$ 32,606	\$ -	\$ (9,000)	\$ 23,606	\$ 9,000
Total Governmental Activities	<u>\$ 32,606</u>	<u>\$ -</u>	<u>\$ (9,000)</u>	<u>\$ 23,606</u>	<u>\$ 9,000</u>

The annual interest and principal requirements of the Township's long-term borrowing is summarized as follows:

USDA Note Payable

Date of Issue: September 20, 2007

Amount: \$133,000

Purpose: Purchase of International Pumper Truck

<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Annual</u> <u>Maturity</u> <u>September 1</u>	<u>Annual</u> <u>Interest</u> <u>Payments</u>	<u>Total Annual</u> <u>Requirements</u>
4.250%	2017	\$ 9,000	\$ 812	\$ 9,812
4.250%	2018	10,000	408	10,408
4.250%	2019	4,606	98	4,704
		<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 23,606</u>	<u>\$ 1,318</u>	<u>\$ 24,924</u>

NOTE F--INTERFUND RECEIVABLES AND PAYABLES

The Township did not have any current interfund receivables and payables between funds at March 31, 2016 as well as no interfund transfers in or transfers out.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended March 31, 2016

NOTE G--RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, owned/non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township has elected to go with a maximum deductible of \$500 for property coverage and no deductible for liability coverage and automobile coverage. The maximum liability for the property and liability is \$1,000,000 per occurrence and \$3,000,000 aggregate limit. The automobile coverage also provides for \$1,000,000 liability limit.

The Township carries workers' compensation insurance through Accident Fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H—UPCOMING REPORTING CHANGE

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirement of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact if fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2016-2017 fiscal year.

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE--
 GENERAL FUND**

EXHIBIT F

For the Fiscal Year Ended March 31, 2016

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 138,000	\$ 138,000	\$ 133,713	\$ (4,287)
State Grants	20,800	20,800	14,034	(6,766)
Charges for Services	350	350	860	510
Interest and Rentals	175	175	64	(111)
Total Revenues	<u>159,325</u>	<u>159,325</u>	<u>148,671</u>	<u>(10,654)</u>
Expenditures				
Current				
General Government	94,325	94,325	69,840	24,485
Public Works	65,000	65,000	46,350	18,650
Total Expenditures	<u>159,325</u>	<u>159,325</u>	<u>116,190</u>	<u>43,135</u>
Net Change in Fund Balance	-	-	32,481	32,481
Fund Balance--April 1, 2015	<u>80,176</u>	<u>80,176</u>	<u>80,176</u>	-
Fund Balance--March 31, 2016	<u><u>\$ 80,176</u></u>	<u><u>\$ 80,176</u></u>	<u><u>\$ 112,657</u></u>	<u><u>\$ 32,481</u></u>

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE--
 ROAD FUND--MAJOR SPECIAL REVENUE FUND
 For the Fiscal Year Ended March 31, 2016**

EXHIBIT G

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ 24,318	\$ 24,318
Total Revenues	-	-	24,318	24,318
Expenditures				
Public Works	-	-	7,123	(7,123)
Total Expenditures	-	-	7,123	(7,123)
Net Change in Fund Balance	-	-	17,195	17,195
Fund Balance--April 1, 2015	-	-	22,735	22,735
Fund Balance--March 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,930</u>	<u>\$ 39,930</u>

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE--
FIRE FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2016**

EXHIBIT H

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 24,950	\$ 24,950	\$ 24,318	\$ (632)
Contributions	-	-	12,956	12,956
Total Revenues	<u>24,950</u>	<u>24,950</u>	<u>37,274</u>	<u>12,324</u>
Expenditures				
Public Safety	24,950	24,950	14,045	10,905
Capital Outlay	-	-	17,956	(17,956)
Total Expenditures	<u>24,950</u>	<u>24,950</u>	<u>32,001</u>	<u>(7,051)</u>
Net Change in Fund Balance	-	-	5,273	5,273
Fund Balance--April 1, 2015	<u>38,866</u>	<u>38,866</u>	<u>38,866</u>	-
Fund Balance--March 31, 2016	<u><u>\$ 38,866</u></u>	<u><u>\$ 38,866</u></u>	<u><u>\$ 44,139</u></u>	<u><u>\$ 5,273</u></u>

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE TRUCK FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2016**

EXHIBIT I

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Taxes	\$ 13,130	\$ 13,130	\$ 14,590	\$ 1,460
Interest	-	-	2	2
Total Revenues	<u>13,130</u>	<u>13,130</u>	<u>14,592</u>	<u>1,462</u>
Expenditures				
Debt Service				
Principal	9,000	9,000	9,000	-
Interest	2,685	2,685	1,194	1,491
Total Expenditures	<u>11,685</u>	<u>11,685</u>	<u>10,194</u>	<u>1,491</u>
Net Change in Fund Balance	1,445	1,445	4,398	2,953
Fund Balance--April 1, 2015	<u>17,034</u>	<u>17,034</u>	<u>17,034</u>	-
Fund Balance--March 31, 2016	<u><u>\$ 18,479</u></u>	<u><u>\$ 18,479</u></u>	<u><u>\$ 21,432</u></u>	<u><u>\$ 2,953</u></u>

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE--
LIQUOR LAW ENFORCEMENT--
MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended March 31, 2016**

EXHIBIT J

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
State Grants	\$ 1,250	\$ 1,250	\$ 1,210	\$ (40)
Total Revenues	<u>1,250</u>	<u>1,250</u>	<u>1,210</u>	<u>(40)</u>
Expenditures				
Public Safety	<u>1,865</u>	<u>1,865</u>	<u>1,953</u>	<u>(88)</u>
Total Expenditures	<u>1,865</u>	<u>1,865</u>	<u>1,953</u>	<u>(88)</u>
Net Change in Fund Balance	(615)	(615)	(743)	(128)
Fund Balance--April 1, 2015	<u>4,505</u>	<u>4,505</u>	<u>4,505</u>	<u>-</u>
Fund Balance--March 31, 2016	<u>\$ 3,890</u>	<u>\$ 3,890</u>	<u>\$ 3,762</u>	<u>\$ (128)</u>

ELM RIVER TOWNSHIP--HOUGHTON COUNTY
SCHEDULE OF REVENUES--BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2016

EXHIBIT K

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Taxes				
Current Property Taxes	\$ 100,000	\$ 100,000	\$ 87,793	\$ (12,207)
Delinquent Property Taxes	6,500	6,500	5,293	(1,207)
Commercial Forest Reserve	9,000	9,000	8,526	(474)
Payment in Lieu of Taxes	20,000	20,000	23,465	3,465
Property Tax Administration Fees	2,500	2,500	8,636	6,136
Total Taxes	138,000	138,000	133,713	(4,287)
State Grants				
Revenue Sharing	20,000	20,000	13,315	(6,685)
Metro Act	800	800	719	(81)
Total State Grants	20,800	20,800	14,034	(6,766)
Charges for Services				
Cemetery Services	100	100	-	(100)
Other Charges for Services	250	250	-	(250)
Election Reimbursement	-	-	860	860
Total Charges for Services	350	350	860	510
Interest and Rents				
Interest Earned	75	75	14	(61)
Rent	100	100	50	(50)
Total Interest and Rents	175	175	64	(111)
Total Revenue	\$ 159,325	\$ 159,325	\$ 148,671	\$ (10,654)

**ELM RIVER TOWNSHIP--HOUGHTON COUNTY
SCHEDULE OF EXPENDITURES BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended March 31, 2016**

EXHIBIT L

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
General Government				
Township Board	\$ 16,455	\$ 16,455	\$ 11,232	\$ 5,223
Supervisor	5,460	5,460	5,919	(459)
Elections	4,050	4,050	3,125	925
Audit Fees	20,000	20,000	-	20,000
Clerk	9,695	9,695	12,524	(2,829)
Board of Review	2,300	2,300	1,607	693
Treasurer	11,260	11,260	16,992	(5,732)
Assessor	11,135	11,135	9,365	1,770
Building and Grounds	12,200	12,200	7,367	4,833
Cemetery	1,770	1,770	1,709	61
Total General Government	<u>94,325</u>	<u>94,325</u>	<u>69,840</u>	<u>24,485</u>
Public Works				
Road Maintenance	10,000	10,000	-	10,000
Street Lighting	10,000	10,000	9,908	92
Refuse Collection/Disposal	45,000	45,000	36,442	8,558
Total Public Works	<u>65,000</u>	<u>65,000</u>	<u>46,350</u>	<u>18,650</u>
Total Expenditures	<u>\$ 159,325</u>	<u>\$ 159,325</u>	<u>\$ 116,190</u>	<u>\$ 43,135</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

July 27, 2016

Township Board
Township of Elm River
32850 Highway M-26
Toivola, Michigan 49965

Independent Auditor's Report

Dear Board Members:

RE: 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

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, each major fund, and the aggregate remaining fund information of Elm River Township, Houghton County, Michigan, as of and for the fiscal year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise Elm River Township's basic financial statements and have issued our report thereon dated July 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Elm River 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 Elm River Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Elm River Township'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Elm River Township'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.

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.. We did not identify any deficiencies in internal control which we consider to be material weaknesses or significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elm River Township's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as Findings 2006-025, 2013-002, 2016-001, and 2016-002.

Elm River Township's Response to Findings

Elm River Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Elm River Township's responses and, accordingly, we express no opinion on them.

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 of the effectiveness of the Elm River Township's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Elm River Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Government Financial Services Division



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

NICK A. KHOURI
STATE TREASURER

July 27, 2016

Township Board
Township of Elm River
32850 Highway M-26
Toivola, Michigan 49965

Dear Board Members:

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elm River Township, Houghton County, Michigan, for the fiscal year ended March 31, 2016, and have issued our report thereon dated July 27, 2016. Professional standards require that we provide you with the following information related to our audit.

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

As stated in the engagement letter dated May 24, 2016, 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 accounting principles generally accepted in the United States of America. 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 Elm River Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether Elm River Township's financial statements are free of material misstatement, we performed tests of Elm River Township'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.

Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of 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. We made certain inquiries of management and evaluated the form, content, and methods

of preparing the information to determine that the information complies with the 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 the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 5, 2016.

Significant Results of the Audit

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Elm River 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 the year ended March 31, 2016. We noted no transactions entered into by Elm River Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 governmental activities in the government-wide statements was depreciation.

Management's estimate of depreciation is based on the straight line method in accordance with Generally Accepted Accounting Principles. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no 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 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.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2016.

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 Elm River 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 Elm River 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.

This information is intended solely for the use of the Elm River Township Board and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Government Financial Services Division

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended March 31, 2016

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.

A significant deficiency is a deficiency, or 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.

The Township is small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material weaknesses, significant deficiencies and other matters listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

STATUTORY COMPLIANCE

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Treasurer--Tax Collections and Distributions

Finding 2006-025

Condition: The Township treasurer maintains a separate Current Tax Collection Account as required by the Accounting Procedures Manual for Local Units of Government. This account was not reduced to zero after the tax collection period was over. As of March 31, 2016, there was a combined balance of \$99,724 in the tax collection checking account of which \$72,417 is recorded as undistributed tax collections. The balances have been identified by the Township treasurer and will disbursed in 2016. The amount of \$27,307 was not transferred from the tax collection bank account to the bank accounts that the General, Road, Fire, and Fire Truck Funds use.

Criteria: Section 211.43 of the Michigan Compiled Laws (MCL) requires the timely distribution of current tax collections to the appropriate local unit treasurers. The Accounting Procedures Manual requires that property tax collections be matched with the distributions to the taxing units whose taxes have been collected. To comply with this requirement, the Current Tax Collection Account must be reduced to zero or an imprest balance as soon as possible after tax settlement in March each year.

Cause: The past Township treasurer did not disburse funds received by the tax fund, timely.

Effect: The Township is in violation of MCL 211.43. Also, the Township lacked the ability to use this money for over one year because timely bank transfers were not made.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended March 31, 2016

STATUTORY COMPLIANCE (Continued)

Directive: The Township must reconcile the account and identify all balances that belong to the other units of governments, if any. These amounts should be disbursed to the appropriate entities in a timely manner.

Management's Response: The treasurer will reconcile the account and identify all balances that belong to other units of government, if any. Amounts will be disbursed to appropriate entities in a timely manner.

Payroll Tax Deposits

Finding 2013-002

Condition: The Township has not submitted all payroll reports or deposited all payroll tax liabilities for past years.

Cause: The former Township clerk did not know how or when to make payroll tax deposits.

Effect: The Township is violation of IRS and State of Michigan guidelines for payroll reporting and depositing of payroll taxes.

Criteria: According to IRS and State of Michigan regulations, the Township is required to submit payroll reports and deposit tax liabilities on a timely basis according to the respective reporting and deposit schedules.

Directive: We direct that the Township submit any delinquent payroll forms and deposit all applicable tax liabilities. We also direct that the Township establish a system to ensure proper and timely reporting is followed.

Management's Response: The clerk and treasurer are doing the monthly/quarterly reports in a timely manner to be in compliance with the requirements.

Approval of Township Budget

Finding 2016-001

Condition: While we found budgets were being used by the Township, there was no indication that the Township actually passed and approved those budgets and no budget was available for the Road fund. There was also no supporting documentation regarding a required public hearing.

Criteria: The Public Act 2 of 1968, as amended, requires local units of government in Michigan to approve an operating budget prior to the beginning of the fiscal year and that all amendments to the budget made throughout the year are approved.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended March 31, 2016

STATUTORY COMPLIANCE (Continued)

Effect: The Township is in violation of the Act.

Directive: We direct that the Township present the original budget for all funds to the Board for approval prior to the beginning of the fiscal year and that such approval is documented in the minutes to the Board meetings. We also direct that all amendments to the Township budget be approved by the Township Board and that such approval is also indicated in the minutes to the Board meetings.

Management's Response: An original budget was adopted at the budget hearing in March. The Township Board has been in practice of reviewing the budget throughout the year. Budget amendments will be documented and attached to the official minutes throughout the year.

Township Budget--Expenditures in Excess of Appropriations

Finding 2016-002

Condition: The Township's 2016 General Appropriations Act (budget) provided for expenditures of the General Fund and the Special Revenue Funds to be controlled at the activity level by the Township.

During the fiscal year, expenditures were incurred in excess of amounts appropriated in the amended budgets for the major funds, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government			
Supervisor	\$ 5,460	\$ 5,919	\$ (459)
Clerk	9,695	12,524	(2,829)
Treasurer	11,260	16,992	(5,732)
Road Fund			
Public Works	-	7,123	(7,123)
Fire Operating Fund			
Capital Outlay	-	17,956	(17,956)
Liquor Law Enforcement Fund			
Public Safety	1,865	1,953	(88)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Cause: The Township did not have accurate financial records during the fiscal year to adequately allow them to track actual expenditures compared to budgeted expenditures.

ELM RIVER TOWNSHIP--HOUGHTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended March 31, 2016

STATUTORY COMPLIANCE (Continued)

Effect: The Township is in violation of the Act.

Directive: We direct that the Township develop budgetary control procedures for the General Fund and the Special Revenue Funds which will ensure that expenditures do not exceed amounts authorized in the budget or amendments thereof.

Management's Response: The accounting software has budget features that notifies expenditures exceeding in any expense area for all funds. The township will utilize the accounting software budget and review the reports monthly. If expenditures exceed a budget line item, the payable will not be submitted for payment until the budget has been revised/approved at a board meeting and the budget amendment(s) noted in the board minutes.