

**MULLETT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2018

Prepared By:

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MULLETT TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

July 20, 2018

Township Board
Mullett Township
Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of *Mullett Township, Cheboygan County, Michigan*, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise *Mullett 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of **Mullett Township, Cheboygan County, Michigan**, as of March 31, 2018, 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 and budgetary comparison information on pages 1 through 5 and 22 through 27 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2018. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how 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.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net position at March 31, 2018 totaled \$2,720,020 representing an increase of \$144,316 from the previous fiscal year.

Governmental Fund Highlights

The governmental activities of the Township reported combined ending fund balances of \$1,560,983 which represents an increase of \$79,121 from the previous fiscal year.

Capital Assets and Long-term Debt

The Township does not have any long-term debt. Capital assets have increased by \$92,433. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net position and how they have changed. Net position is the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net position are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Special Revenue-Fire Fund, Library Fund, Liquor Law Enforcement Fund and Street Lighting Fund.

The comparison of net position of governmental activities from year to year serves to measure a government's financial position:

**Mullett Township
Net Position
March 31,**

	GOVERNMENTAL ACTIVITIES	
	2018	2017
Current assets	\$ 1,573,762	\$ 1,491,174
Capital assets (net)	1,159,037	1,093,842
Total assets	<u>2,732,799</u>	<u>2,585,016</u>
Total liabilities-all current	<u>12,779</u>	<u>9,312</u>
Net position:		
Invested in capital assets, net of related debt	1,159,037	1,093,842
Restricted	850,257	846,260
Unrestricted	710,726	635,602
	<u>\$ 2,720,020</u>	<u>\$ 2,575,704</u>

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Position is the investment in capital assets (e.g. land, buildings and improvements, office and other equipment, fire equipment, fire vehicles and library materials), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$710,726 in unrestricted net position. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in net position of the Township:

	Mullett Township	
	Change in Net Position	
	March 31,	
	GOVERNMENTAL	
	ACTIVITIES	
	2018	2017
REVENUES:		
Program revenues:		
Charges for services	\$ 26,965	\$ 26,596
Operating grants and contributions	450	-
Capital grants and contributions	1,550	-
General revenues:		
Property taxes	437,389	427,205
State-shared revenues	118,397	109,679
Penal fines	10,827	12,402
Interest income and rents	4,168	6,909
Other	9,440	5,054
Total Revenues	<u>609,186</u>	<u>587,845</u>
EXPENSES:		
Legislative	43,944	47,830
General government	138,425	138,222
Public safety	137,611	122,117
Public works	36,259	138,420
Recreation and culture	108,631	90,311
Total Expenses	<u>464,870</u>	<u>536,900</u>
Net assets:		
Increase (decrease)	144,316	50,945
Beginning net position	<u>2,575,704</u>	<u>2,524,759</u>
Ending net position	<u>\$ 2,720,020</u>	<u>\$ 2,575,704</u>

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in net position. Net position increased by \$144,316. Total revenue has increased due primarily to an increase in state revenue sharing and a increase in property tax revenue. Total expenses have decreased primarily due to fewer road projects undertaken during the current year, offset by an increase to public safety expenses for various non-capital equipment expenditures and increased expenditures for recreation and culture expenses. General government expenditures have remained stable over the prior year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Fire Fund, and Library Fund of which we consider major funds. We also have Street Light Fund and Liquor Law Enforcement Fund, which we consider non-major funds. The Township funds are financed primarily by property tax revenue, state shared revenues, and for the Library Fund, county penal fines.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

Overall the governmental funds had a net increase in fund balance over the prior year. The Township continued to provide the same services to its residents: administrative, assessing,

MULLETT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

elections, township hall maintenance, road maintenance, fire protection, library service and tax collection. The General Fund increased its fund balance by \$75,125, bringing the fund balance to \$710,726; the Fire Fund increased its fund balance by \$22,682, bringing the fund balance to \$787,152; the Library Fund decreased its fund balance by \$8,034, bringing the fund balance to \$35,829; the Street Lighting Fund decreased its fund balance by \$10,873, bringing the fund balance to \$26,164 and the Liquor Law Enforcement Fund increased its fund balance by \$221, bringing the fund balance to \$1,112.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2018, the Township's governmental activities had \$2,536,212 in capital assets (land, buildings and improvements, office and other equipment, fire equipment, fire vehicles, and library materials). We had capital expenditures of \$92,433 in the current year. These expenditures consisted primarily of township property improvements, fire equipment, and library books and materials.

Long-Term Debt

We have no debt and no new debt was incurred during the year.

BUDGETARY HIGHLIGHTS

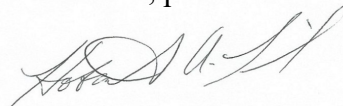
There were no significant differences between the original and final budget.


KNOWN FACTORS AFFECTING FUTURE OPERATIONS

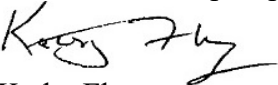
The Township expects financial aspects of governing to be generally the same as in the current year. We plan on improving our recreational facilities, local roads, library services, public safety and are striving to keep all our current buildings in good repair as money permits each year. We are also purchasing a new fire truck. We also plan on upgrading the "Old School House" in Topinabee.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.238.8808 (Mullett Township Hall).


Hobart Kirsch
Mullett Township Supervisor


Rachel Osborn
Mullett Township Clerk


Kathy Flory
Mullett Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MULLETT TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2018

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$ 1,126,492
Investments	233,420
Receivables:	
Property taxes	25,291
Due from fiduciary fund	60
Due from other governmental units	18,499
Deposit on equipment purchase	170,000
Capital assets (net of accumulated depreciation)	<u>1,159,037</u>
 TOTAL ASSETS	 <u>2,732,799</u>
 <u>LIABILITIES</u>	
Accounts payable	5,264
Accrued payroll	<u>7,515</u>
 TOTAL LIABILITIES	 <u>12,779</u>
 <u>NET POSITION</u>	
Invested in capital assets	1,159,037
Restricted for:	
Public Safety	788,264
Public Works	26,164
Recreation and culture	35,829
Unrestricted	<u>710,726</u>
 TOTAL NET POSITION	 <u>\$ 2,720,020</u>

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

MULLETT TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and Changes
		Services	Grants and	Grants and	in Net Position
			Contributions	Contributions	Governmental
					Activities
					TOTAL
Primary government					
Governmental activities					
Legislative	\$ 43,944	\$ -	\$ -	\$ -	(43,944)
General government	138,425	-	-	-	(138,425)
Public safety	137,611	26,965	-	-	(110,646)
Public works	36,259	-	-	-	(36,259)
Recreation and culture	108,631	-	450	1,550	(106,631)
Total governmental activities	\$ 464,870	\$ 26,965	\$ 450	\$ 1,550	(435,905)
General Revenues:					
					437,389
					118,397
					10,827
					4,168
					9,440
					580,221
					144,316
					2,575,704
					\$ 2,720,020

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

FUND FINANCIAL STATEMENTS

MULLETT TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2018

<u>ASSETS</u>	GENERAL FUND	FIRE FUND	LIBRARY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and cash equivalents	\$ 605,879	\$ 454,634	\$ 38,613	\$ 27,366	\$ 1,126,492
Investments	81,045	152,375	-	-	233,420
Taxes receivable	15,148	10,143	-	-	25,291
Due from other governmental units	16,949	-	1,550	-	18,499
Deposit on equipment purchase	-	170,000	-	-	170,000
Due from tax collection fund	60	-	-	-	60
<u>TOTAL ASSETS</u>	\$ 719,081	\$ 787,152	\$ 40,163	\$ 27,366	\$ 1,573,762
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 1,404	\$ -	\$ 3,860	\$ -	\$ 5,264
Accrued payroll	6,951	-	474	90	7,515
TOTAL LIABILITIES	8,355	-	4,334	90	12,779
 FUND BALANCES					
Restricted for:					
Public safety	-	787,152	-	1,112	788,264
Public works	-	-	-	26,164	26,164
Recreation and culture	-	-	35,829	-	35,829
Unassigned	710,726	-	-	-	710,726
TOTAL FUND BALANCES	710,726	787,152	35,829	27,276	1,560,983
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 \$ 719,081	 \$ 787,152	 \$ 40,163	 \$ 27,366	 \$ 1,573,762

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

MULLETT TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2018

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net position

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,560,983
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Amounts reported for governmental activities in the statement of net position
are different because:

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

Add: capital assets	2,536,212
Subtract: accumulated depreciation	<u>(1,377,175)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>2,720,020</u>
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The accompanying notes are an integral part of these financial statements.

MULLETT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	GENERAL FUND	FIRE FUND	LIBRARY FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 267,327	\$ 170,062	\$ -	\$ -	\$ 437,389
State shared revenues	116,906	-	858	633	118,397
Grants	-	-	1,550	-	1,550
Charges for service	-	26,965	-	-	26,965
Penal fines	-	-	10,827	-	10,827
Donations	-	-	450	-	450
Interest	1,580	2,525	34	29	4,168
Other	8,953	-	487	-	9,440
TOTAL REVENUES	394,766	199,552	14,206	662	609,186
EXPENDITURES:					
Current:					
Legislative	43,944	-	-	-	43,944
General government	131,509	-	-	-	131,509
Public safety	-	132,621	-	1,162	133,783
Public works	25,357	-	-	10,902	36,259
Recreation and culture	46,514	-	45,623	-	92,137
Capital outlay	41,567	44,249	6,617	-	92,433
TOTAL EXPENDITURES	288,891	176,870	52,240	12,064	530,065
REVENUES OVER (UNDER) EXPENDITURES	105,875	22,682	(38,034)	(11,402)	79,121
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	30,000	750	30,750
Operating transfers (out)	(30,750)	-	-	-	(30,750)
TOTAL OTHER FINANCING SOURCES (USES)	(30,750)	-	30,000	750	-
NET CHANGE IN FUND BALANCES	75,125	22,682	(8,034)	(10,652)	79,121
FUND BALANCES, BEGINNING OF YEAR	635,601	764,470	43,863	37,928	1,481,862
FUND BALANCES, END OF YEAR	\$ 710,726	\$ 787,152	\$ 35,829	\$ 27,276	\$ 1,560,983

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

MULLETT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	79,121
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year.		92,433
Subtract: depreciation expense.		<u>(27,238)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>144,316</u></u>
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The accompanying notes are an integral part of these financial statements.

MULLETT TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
MARCH 31, 2018

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash	<u>\$ 60</u>
<u>LIABILITIES</u>	
Due to other funds	<u>60</u>
<u>NET POSITION</u>	
Fiduciary Net Position	<u>\$ -</u>

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

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Mullett Township, Cheboygan County, Michigan 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 policies used by Mullett Township.

A. Reporting Entity

The Township is governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

The Township jointly operates two separate cemeteries with Burt and Aloha Townships of Cheboygan County. Both the Mullet-Burt Cemetery and Aloha Township Cemetery have separate independent boards. Burt and Aloha Townships have historically reported the financial activity for each cemetery. Mullett Township's share of the costs is shown as expenses of the General Fund.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The township does not have any business type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment 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 are not properly included among program revenues are reported instead as general revenue.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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 measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 related to claims and judgments, are recorded only when payment is due.

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

The Township reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Fire Fund: The Fire Fund is used to account for expenditures related to contracted, township provided, fire service. Financing is provided primarily by a special property tax levy.

Library Fund: The Library Fund is used to account for expenditures related to the Township's public library. Financing is provided primarily by penal fines, state aid and contributions from the General Fund.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Township reports the following non-major funds:

Liquor Law Enforcement Fund: The Liquor Fund accounts for liquor license fees refunded by the State and utilized for enforcement of the State's liquor laws.

Street Lighting Fund: The Street Lighting Fund accounts for providing street lighting for a special district. Financing is provided primarily by a special property tax levy.

The Township reports the following fiduciary fund:

Trust and Agency Fund: Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

D. Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments: Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts. Investments are stated at market, and consist of certificates of deposit with maturity values of three months or longer.

Receivables, Payables and Transfers: All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

Capital Assets: Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are generally defined by the government as assets with an initial individual cost of \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity - Continued

Capital Assets (continued): Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 – 40 years
Office and other equipment	5 – 10 years
Fire equipment	5 – 10 years
Fire vehicles	5 – 20 years
Library books and materials	3 – 5 years

Compensated Absences and Post-employment Benefits: There is no accumulated vacation, sick leave, or post-employment benefits to be recognized.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

- **Nonspendable**: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township did not have any nonspendable resources as of March 31, 2018.
- **Restricted**: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Township has restricted balances for public safety, public works and recreation and culture as shown in the body of the financial statements.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity – Continued

- Committed: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Township did not have any committed resources as of March 31, 2018.
- Assigned: This classification includes amounts that are constrained by The Township’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township’s Board or through the Township Board delegating this responsibility to the management through the budgetary process. The Township did not have any assigned resources as of March 31, 2018.
- Unassigned: This classification includes the residual fund balance for the General Fund.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information: Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

The Township Board's budgetary procedures are in compliance with P.A 621 of 1978 (The Uniform Budgeting Act).

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Excess of Expenditures over Appropriations in Budgetary Funds: P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated was as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
FIRE FUND:			
Capital outlay	\$ 9,000	\$ 44,249	\$ 35,249
LIQUOR LAW ENFORCEMENT FUND:			
Public safety	\$ 1,080	\$ 1,162	\$ 82

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2018, reflected in the accompanying financial statements include property taxes levied December 31, 2017. These taxes are due by February 15, 2018, and are added to the County tax rolls after February 28, 2018. The Township normally receives 100% payment for the delinquent tax by June, 2018.

The taxable value of the Township totaled \$113,512,783, on which ad valorem taxes consisted of 1.9972 mills for the Township's operating purposes and 1.4974 mills for fire protection; raising \$226,841 for operating purposes and \$170,062 for fire protection. The township did not levy the street lighting assessment in the current year.

NOTE 4: DEPOSITS AND INVESTMENTS

Statutory Authority: Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office 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; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated five financial institutions for the deposit of Township funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorize investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEPOSITS AND INVESTMENTS - CONTINUED

The caption on the statement of net position relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$ 1,126,529
Investments (certificates of deposit)	<u>233,420</u>
	<u>\$1,359,972</u>

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial Credit Risk: At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured	\$ 926,273	\$ 925,228
Uninsured – uncollateralized	<u>433,699</u>	<u>460,990</u>
	<u>\$1,359,972</u>	<u>\$1,386,218</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level of risk are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

NOTE 5: INTERFUND BALANCES AND TRANSFERS

The compositions of interfund receivables and payables for the year ended March 31, 2018 are as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$ 60	\$ -
Tax Collection	<u>-</u>	<u>60</u>
Total	<u>\$ 60</u>	<u>\$ 60</u>

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS - CONTINUED

Interfund transfers consisted of the following for the year ended March 31, 2018:

Fund	Transfer Out	Transfer In
General	\$ 30,750	\$ -
Library	-	30,000
Liquor Law Enforcement	-	750
Total	\$ 30,750	\$ 30,750

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) use unrestricted resources collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2017	Additions	Deletions	Balance March 31, 2018
<u>Not being depreciated:</u>				
Land and improvements	\$ 754,051	\$ 32,420	\$ -	\$ 786,471
<u>Being depreciated:</u>				
Buildings and improvements	624,299	9,021	-	633,320
Office and other equipment	71,658	3,307	(12,740)	62,225
Fire equipment	212,730	44,249	-	256,979
Fire vehicles	761,622	-	-	761,622
Library books and materials	32,159	3,436	-	35,595
Subtotal	2,456,519	92,433	(12,740)	2,536,212
Less accumulated depreciation	(1,362,677)	(27,238)	12,740	(1,377,175)
Total	\$ 1,093,842	\$ 65,195	\$ -	\$ 1,159,037

MULLETT TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS - CONTINUED

Depreciation was charged to the Township's governmental activities as follows:

General government	\$ 6,916
Public safety	3,828
Recreation and culture	<u>16,494</u>
	<u>\$ 27,238</u>

NOTE 7: RISK MANAGEMENT

Mullett Township participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan. The Township continues to carry commercial insurance for all other risks of loss, including worker's compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8: RELATED PARTY TRANSACTIONS

The Township paid Home Solutions, a business that the Township Supervisor owns, \$21,780 for township property maintenance services.

NOTE 9: SUBSEQUENT EVENTS

On May 7, 2018 the Township accepted financing with an Act 99 Installment Purchase Agreement of \$157,299 for the purchase of a fire truck with a cost of \$359,815. The loan is to be repaid in annual installments of \$40,802, including interest at 2.42% beginning May 1, 2018. This transaction also reduced the deposit on equipment by the amount of \$170,000.

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through July 20, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$ 228,000	\$ 228,000	\$ 226,841	\$ (1,159)
Property taxes - administrative fee	33,000	33,000	40,486	7,486
Total taxes	261,000	261,000	267,327	6,327
State shared revenues:				
State shared revenues	98,000	98,000	107,243	9,243
State shared revenues-METRO Act	1,500	1,500	5,901	4,401
Swampland and commercial forest tax	3,500	3,500	3,762	262
Total state shared revenues	103,000	103,000	116,906	13,906
Interest	600	600	1,580	980
Other revenue:				
Contributions and donations	1,500	1,500	6,779	5,279
Rents	950	950	930	(20)
Other	400	400	1,244	844
Total other revenue	2,850	2,850	8,953	6,103
TOTAL REVENUES	367,450	367,450	394,766	27,316

MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2018

CURRENT:	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE	BUDGET	BUDGET	ACTUAL	(NEGATIVE)
Township board	\$ 63,325	\$ 63,325	\$ 43,944	\$ 19,381
GENERAL GOVERNMENT				
Supervisor	14,500	14,500	10,229	4,271
Assessor	29,350	29,350	24,862	4,488
Elections	7,250	7,250	87	7,163
Professional services	19,000	19,000	4,379	14,621
Board of Review	6,575	6,575	5,055	1,520
Clerk	26,750	26,750	21,362	5,388
Treasurer	24,000	24,000	19,775	4,225
Township property	64,000	59,000	32,360	26,640
Cemetery	13,400	13,400	13,400	-
TOTAL GENERAL GOVERNMENT	204,825	199,825	131,509	68,316
PUBLIC WORKS				
Highways and streets	38,600	38,600	21,807	16,793
Sanitation	4,200	4,200	3,550	650
TOTAL PUBLIC WORKS	42,800	42,800	25,357	17,443
RECREATION AND CULTURE				
Parks	50,500	55,500	46,514	8,986
CAPITAL OUTLAY	96,000	96,000	41,567	54,433
TOTAL EXPENDITURES	457,450	457,450	288,891	168,559
REVENUES OVER (UNDER) EXPENDITURES	(90,000)	(90,000)	105,875	195,875
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(30,750)	(30,750)	(30,750)	-
NET CHANGE IN FUND BALANCE	(120,750)	(120,750)	75,125	195,875
FUND BALANCE - BEGINNING OF YEAR	635,601	635,601	635,601	-
FUND BALANCE - END OF YEAR	\$ 514,851	\$ 514,851	\$ 710,726	\$ 195,875

MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 171,000	\$ 171,000	\$ 170,062	\$ (938)
Charges for service	27,000	27,000	26,965	(35)
Donations	-	-	-	-
Interest	2,000	2,000	2,525	525
Other	200	200	-	(200)
TOTAL REVENUES	200,200	200,200	199,552	(648)
EXPENDITURES:				
Public safety	389,100	389,100	132,621	256,479
Capital outlay	9,000	9,000	44,249	(35,249)
TOTAL EXPENDITURES	398,100	398,100	176,870	221,230
NET CHANGE IN FUND BALANCE	(197,900)	(197,900)	22,682	220,582
FUND BALANCE, BEGINNING OF YEAR	764,470	764,470	764,470	-
FUND BALANCE, END OF YEAR	\$ 566,570	\$ 566,570	\$ 787,152	\$ 220,582

MULLETT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State aid	\$ 800	\$ 800	\$ 858	\$ 58
Grants	-	-	1,550	1,550
Penal fines	7,000	7,000	10,827	3,827
Donations	500	500	450	(50)
Interest	30	30	34	4
Other	560	560	487	(73)
TOTAL REVENUES	8,890	8,890	14,206	5,316
EXPENDITURES:				
Recreation and culture	47,700	47,700	45,623	2,077
Capital outlay	7,000	7,000	6,617	383
TOTAL EXPENDITURES	54,700	54,700	52,240	2,460
REVENUES OVER (UNDER) EXPENDITURES	(45,810)	(45,810)	(38,034)	7,776
OTHER FINANCING SOURCES (USES)				
Operating transfers in	30,000	30,000	30,000	-
NET CHANGE IN FUND BALANCES	(15,810)	(15,810)	(8,034)	7,776
FUND BALANCE, BEGINNING OF YEAR	43,863	43,863	43,863	-
FUND BALANCE, END OF YEAR	\$ 28,053	\$ 28,053	\$ 35,829	\$ 7,776

MULLETT TOWNSHIP
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2018

<u>ASSETS</u>	<u>STREET LIGHT FUND</u>	<u>LIQUOR LAW ENFORCEMENT FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
Cash and cash equivalents	\$ 26,164	\$ 1,202	\$ 27,366
<u>TOTAL ASSETS</u>	\$ 26,164	\$ 1,202	\$ 27,366
<u>LIABILITIES</u>			
Accrued wages	-	90	90
TOTAL LIABILITIES	-	90	90
<u>FUND BALANCES</u>			
Restricted for:			
Public works	26,164	-	26,164
Public safety	-	1,112	1,112
TOTAL FUND BALANCES	26,164	1,112	27,276
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 \$ 26,164	 \$ 1,202	 \$ 27,366

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

MULLETT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	STREET LIGHT FUND	LIQUOR LAW ENFORCEMENT FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES			
State shared revenue	\$ -	\$ 633	\$ 633
Interest income	29	-	29
TOTAL REVENUES	29	633	662
EXPENDITURES			
Street lighting	10,902	-	10,902
Liquor law enforcement	-	1,162	1,162
TOTAL EXPENDITURES	10,902	1,162	12,064
REVENUES OVER (UNDER) EXPENDITURES	(10,873)	(529)	(11,402)
Operating transfers in	-	750	750
NET CHANGES IN FUND BALANCES	(10,873)	221	(10,652)
FUND BALANCES, BEGINNING OF YEAR	37,037	891	37,928
FUND BALANCES, END OF YEAR	\$ 26,164	\$ 1,112	\$ 27,276

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

July 20, 2018

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Mullett Township
Cheboygan County, Michigan

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mullett Township for the year ended March 31, 2018. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated May 1, 2018. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mullett Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2018. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the determination of depreciation expense. Management's estimate of depreciation expense is based on the estimated lives of the capital assets. I evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me 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 each opinion unit's 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 my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated July 20, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

-) Mullett Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.
-) There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Mullett Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

Additionally I have presented other matters for your consideration in a separate letter dated July 20, 2018.

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

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

Sincerely,



Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC