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AUDIT-RELATED COMMUNICATIONS

To the Board of Directors
Acme Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Acme Township (the "Township") for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 4, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Compliance

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

Internal Controls

In planning and performing our audit of the financial statements of the Township, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

We have issued our 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* thereon dated December 6, 2011.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We identified certain deficiencies in internal control that we consider to be material weaknesses.

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

Please see our separate report on internal control for our findings.

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

Accruals

The clerk and treasurer provided us with accrual items to be adjusted. We posted audit entries to accrue accounts receivable for State shared revenue for May and June 2011, cable TV fees for April through June 2011, and June Sewer receiving fund collections from Grand Traverse County. We posted an audit entry to accrue the wages for the pay period ended June 27, 2011 that were paid in July 2011. We recommend the clerk, treasurer and administrator review these balances after year-end to adjust activity for the year ended June 30, 2011.

Interbank Transactions

We noted the Township currently has only savings accounts for some special revenue funds such as the Shoreline Preservation Fund. Checks are paid out of the common cash sweep account primarily carried in the General Fund, and then a bank transfer is made from the special revenue fund to cover the disbursement. However, the transaction is recorded on the general ledger as if the check was issued directly from the special revenue fund, and the subsequent bank transfer is not posted on the general ledger. This does not leave an accurate transaction trail when the check disbursement and bank transfer occur in different months. We recommend the Township consider adding the additional funds to the common cash sweep account, opening separate checking accounts for the other funds, or recording the entries exactly as they occur on the general ledger, utilizing the due to and due from accounts.

Other Payroll Deductions

The other payroll deductions account should act as a clearing account. This account held a balance at the end of the year. Through review and inquiry, it was noted the account was not clearing out on a monthly basis and the balance continued to increase each month. We recommend contacting the software provider to discuss updating to the automatic entries posting from the payroll module in the software.

Budget Amendments

During 2011, we noted the General Fund and Shoreline Preservation Fund had some function expenditures that exceeded budgeted amounts. We recommend budget amendments be approved in the future.

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note A to the financial statements. As described in Note A to the financial statements, the Township implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was the long-term debt of the Township.

No Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one unposted adjustment for vacation and sick accrual of $2,643. Management has determined that the effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements were corrected by management through audit entries: State revenue sharing receivable for May and June 2011, cable TV fees from April through June 2011, June Sewer receiving fund collections from the County, accrued wages, depreciation expense, adjust fund balances to actual, and adjust cash balances by $78,000 to actual.

No 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 our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of Township Trustees, management of Acme Township, and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

December 6, 2011