

**TOWNSHIP OF BURR OAK  
ST JOSEPH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Township Board  
Township of Burr Oak  
St Joseph County, Michigan**

**October 15, 2014**

We have audited the accompanying financial statements of governmental activities, the major funds, and the aggregate remaining information of the Township of Burr Oak, Michigan as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Burr Oak, Michigan as of March 31, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

Accounting principles generally accept in the United States of America require that management's discussion and analysis and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

### **Other Information**

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

**To the Members of the Township Board  
Township of Burr Oak  
St Joseph County, Michigan**

**October 15, 2014**

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

*Taylor, Plant & Watkins, P.C.*  
**TAYLOR, PLANT & WATKINS, P.C.**  
**COLDWATER, MICHIGAN**

# TOWNSHIP OF BURR OAK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Using this Annual Report**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Township's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements** – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities and objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financials, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

## **TOWNSHIP OF BURR OAK**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

**Fiduciary Funds** – Fiduciary funds statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

**Notes to the Financial Statements** – The notes provide supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's financial position.

**TOWNSHIP OF BURR OAK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

**The Township as a Whole**

The following table shows, in condensed format, the net position as of March 31, 2014 and the prior year audited March 31, 2012:

	<b>Governmental Activities</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2012</b>
	<hr/>	<hr/>
<b>Assets</b>		
Current and other assets	\$ 552,689	\$ 542,422
Capital assets	1,548,657	1,766,155
	<hr/>	<hr/>
Total assets	2,101,346	2,308,577
<b>Liabilities</b>	5,742	20,043
<b>Net Position</b>		
Investment in capital assets - net of related debt	1,548,657	1,766,155
Restricted	240,305	232,733
Unrestricted	306,642	289,646
	<hr/>	<hr/>
Total net position	<u>\$ 2,095,604</u>	<u>\$ 2,288,534</u>



# TOWNSHIP OF BURR OAK

## MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued

The following table shows, in condensed format, the changes of net position as of March 31, 2014 compared to last year audited March 31, 2012 stated under full accrual basis:

	<b>Governmental Activities</b>	
	<b>Year Ended</b>	
	<b>March 31,</b>	
	<b>2014</b>	<b>2012</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 23,593	\$ 12,132
Operating grants and contributions	6,570	4,250
General revenues:		
Property taxes	55,624	56,474
State shared revenues	133,149	125,674
Penal fines	7,111	9,222
Interest and investment earnings	2,021	3,217
Other	9,208	10,657
Total revenues	237,276	221,626
<b>Expenses</b>		
General government	209,782	210,521
Public safety	30,793	38,399
Public works	6,268	4,084
Recreation and culture	70,481	72,406
Total expenses	317,324	325,410
<b>Change in net position</b>	<b>\$ (80,048)</b>	<b>\$ (103,784)</b>

## **TOWNSHIP OF BURR OAK**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS – Continued**

#### **Capital Assets**

The Township purchased a desktop computer. This was the only material addition to the capital assets for the year ended March 31, 2014.

#### **Economic Factors, Next Year's Budget**

The Township continues to budget accordingly with economic changes including changes in state shared revenue and decreasing values in properties.

#### **Contacting the Township's Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Township at (269) 503-4146.

**TOWNSHIP OF BURR OAK**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2014**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 527,244
Receivables	
Taxes	4,339
Other	828
Due from other governmental units	19,292
Due from other funds	986
Capital assets, less accumulated depreciation \$328,600	<u>1,548,657</u>
Total assets	2,101,346
<b>LIABILITIES</b>	
Accounts payable	2,858
Accrued expenses	<u>2,884</u>
Total liabilities	5,742
<b>NET POSITION</b>	
Investment in capital assets - net of related debt	1,548,657
Restricted	240,305
Unrestricted	<u>306,642</u>
Total net position	<u><u>\$ 2,095,604</u></u>

**TOWNSHIP OF BURR OAK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2014**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Governmental Activities</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating / Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	
General government	\$ 209,782	\$ 23,593	\$ -	\$ (186,189)
Public safety	30,793	-	-	(30,793)
Public works	6,268	-	-	(6,268)
Recreation and culture	70,481	-	6,570	(63,911)
Total governmental activities	\$ 317,324	\$ 23,593	\$ 6,570	(287,161)
General revenues:				
				55,624
				133,149
				7,111
				2,021
				9,208
				207,113
				(80,048)
				2,175,652
				\$ 2,095,604

**TOWNSHIP OF BURR OAK  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2014**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Capital Projects Building Fund</u>	<u>Non-major Fire Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and investments	\$ 286,346	\$ 93,849	\$ 116,076	\$ 30,973	\$ 527,244
Taxes receivable	4,339	-	-	-	4,339
Other receivable	828	-	-	-	828
Due from other governmental units	19,292	-	-	-	19,292
Due from other funds	986	-	-	-	986
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 311,791</u>	<u>\$ 93,849</u>	<u>\$ 116,076</u>	<u>\$ 30,973</u>	<u>\$ 552,689</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 2,858	\$ -	\$ -	\$ -	\$ 2,858
Accrued expenses	2,291	593	-	-	2,884
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	5,149	593	-	-	5,742
<b>FUND BALANCE</b>					
Restricted	-	93,256	116,076	30,973	240,305
Unassigned	306,642	-	-	-	306,642
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	306,642	93,256	116,076	30,973	546,947
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	<u>\$ 311,791</u>	<u>\$ 93,849</u>	<u>\$ 116,076</u>	<u>\$ 30,973</u>	<u>\$ 552,689</u>

See Notes to Financial Statements

**TOWNSHIP OF BURR OAK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO NET POSITION**  
**MARCH 31, 2014**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 546,947</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in funds:	
The cost of the capital assets	1,877,257
Accumulated depreciation	<u>(328,600)</u>
Total capital assets not reported in funds	<u>1,548,657</u>
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ 2,095,604</u></u></b>

**TOWNSHIP OF BURR OAK**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED MARCH 31, 2014**

	<b>General Fund</b>	<b>Library Fund</b>	<b>Capital Projects Building Fund</b>	<b>Non-major Fire Fund</b>	<b>Totals</b>
<b>REVENUES</b>					
Taxes	\$ 55,624	\$ -	\$ -	\$ -	\$ 55,624
Licenses and permits	11,353	-	-	-	11,353
State shared revenue	131,846	1,303	-	-	133,149
Charges for services	12,240	-	-	-	12,240
Penal fines	-	7,111	-	-	7,111
Interest earned	733	894	318	76	2,021
Contributions	-	6,570	-	-	6,570
Other	9,120	88	-	-	9,208
<b>Total revenues</b>	<b>220,916</b>	<b>15,966</b>	<b>318</b>	<b>76</b>	<b>237,276</b>
<b>EXPENDITURES</b>					
General government	145,729	-	-	-	145,729
Public safety	30,793	-	-	-	30,793
Public works	6,268	-	-	-	6,268
Cultural	-	26,486	-	-	26,486
<b>Total expenditures</b>	<b>182,790</b>	<b>26,486</b>	<b>-</b>	<b>-</b>	<b>209,276</b>
Excess (deficiency) of revenues over expenditures	38,126	(10,520)	318	76	28,000
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	(13,000)	8,000	-	5,000	-
Excess (deficiency) of revenues over expenditures and other financing sources	25,126	(2,520)	318	5,076	28,000
<b>FUND BALANCE - BEGINNING</b>	<b>281,516</b>	<b>95,776</b>	<b>115,758</b>	<b>25,897</b>	<b>518,947</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 306,642</b>	<b>\$ 93,256</b>	<b>\$ 116,076</b>	<b>\$ 30,973</b>	<b>\$ 546,947</b>

See Notes to Financial Statements

**TOWNSHIP OF BURR OAK**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2014**

<b>Net change in Fund Balance - Total Governmental Funds</b>	\$ 28,000
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense	(109,699)
Capital outlay	<u>1,651</u>
Total	<u>(108,048)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (80,048)</u></u>



**TOWNSHIP OF BURR OAK**  
**FIDUCIARY FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**MARCH 31, 2014**

	<u>Trust &amp; Agency Fund</u>
<b>ASSETS</b>	
Cash	<u>\$ 986</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 986
<b>NET POSITION</b>	
Restricted	<u>-</u>
Total liabilities and net position	<u>\$ 986</u>

**TOWNSHIP OF BURR OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Burr Oak conform to generally accepted accounting principles of the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

**REPORTING ENTITY:**

The Township operates under an elected board of five members consisting of the supervisor, clerk, treasurer, and two trustees, and provides services in many areas including public safety, highways and streets, and general administrative services. The financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these financial statements.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The Government-wide financial statements, the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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. All of the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree of 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. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

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.

## TOWNSHIP OF BURR OAK

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2014

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:**

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

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources 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 Township 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, claims and judgments are recorded when payment is due.

**Joint Venture** – The Township is a member of the Burr Oak Fire Department: a joint venture of the Village of Burr Oak and the Township of Burr Oak was formed to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities that take into account their respective population and number of fire calls. The Burr Oak Fire Department is managed by a board which consists of members from each participating municipality. The board adopts the department's budget and controls its financing.

Information on the complete financial statements for the Burr Oak Fire Department can be obtained from the Burr Oak Fire Department, 208 Front Street, Burr Oak, Michigan.

## TOWNSHIP OF BURR OAK

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2014

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

##### **BASIS OF PRESENTATION:**

##### **MAJOR GOVERNMENTAL FUNDS**

**General Fund** is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund. Revenues are derived primarily from State Revenue Sharing distributions.

**Special Revenue Funds** are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations, and charges for services which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements. The Library Fund is considered to be a major fund.

**Capital Projects Funds** are used to account for resources specifically designated for the acquisition and constructions of facilities and for major capital repairs and improvements of facilities. The Building Fund is considered to be a major fund.

##### **FIDUCIARY FUNDS**

**Trust and Agency Funds** are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. Agency funds are custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

##### **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION:**

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. The Township defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Township has recorded all significant prior assets acquired and respective depreciation in their full implementation of GASB 34. All immaterial assets were removed and the Township will record additional assets purchased in future years.

**TOWNSHIP OF BURR OAK**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION – Continued:**

**Capital Assets – Continued**

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

Buildings	30-40 Years
Fire Equipment	7-25 Years
Office Equipment	5-7 Years
Books - Periodicals	5-10 Years
Vehicles	5-10 Years

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have anything that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have anything that qualifies for reporting in this category.

**Fund Balance** – The Township implemented GASB statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

## TOWNSHIP OF BURR OAK

### NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2014

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION – Continued:

##### Fund Balance – Continued

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**Assigned fund balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned fund balance** – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Township establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Township's Board through adoption or amendment of the budget as intended for specific purpose.

##### BASIS OF BUDGETING:

The Township adopted their annual budget based on the modified accrual method of accounting. Expenditures were estimated by functional level. The Township did not include an estimated beginning fund balance within the approved budget. Once a budget is approved it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law. Revisions to the budget were made during the year.

## **TOWNSHIP OF BURR OAK**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2014**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

##### **ENCUMBRANCE ACCOUNTING:**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year end may be reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year end is required.

##### **USE OF ESTIMATES:**

The Township uses estimates and assumptions in the preparation of the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures.

##### **SUBSEQUENT EVENTS:**

The Township evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the audit date.

#### **NOTE B - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in 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 which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government of Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificates of deposit are currently earning interest rates of .35% to 2.77%.

**TOWNSHIP OF BURR OAK**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2014**

**NOTE B - DEPOSITS AND INVESMENTS - Continued**

Investments consist of certificate of deposits with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

Cash and investments as of March 31, 2014 are classified in the accompanying financial statement as follows:

Governmental Funds	
Cash and investments	\$ 527,244
Fiduciary Funds	
Cash	<u>986</u>
Total cash and investments	<u><u>\$ 528,230</u></u>

**Interest rate risk** – In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township’s cash requirements.

**Credit risk** – State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The Township does not allow direct investment in commercial paper or corporate bonds.

**Concentration of credit risk** – The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk for deposits** – In the case of deposits, this is the risk that in the event of an institutional failure, the Township’s deposits may not be recovered. As of March 31, 2014, \$251,935 of the Township’s \$529,862 of cash and investments was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificates of deposit and money market accounts are included in the above totals.

**Foreign currency risk** – The Township is not authorized to invest in investments which have this type of risk.



**TOWNSHIP OF BURR OAK**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2014**

**NOTE C – TAXES RECEIVABLE**

The Township is a general law township and levies property taxes on December 1 of each year. They are collected by the Township’s treasurer from December 1 to February 28.

Taxes receivable represent real property taxes and administrative fees returned delinquent to the County of St Joseph. The real property taxes and administrative fees in the amount of \$4,339 will be paid to the Township by the County of St Joseph in May 2014.

**NOTE D – DUE FROM (TO) OTHER FUNDS**

The due from (to) other funds, at March 31, 2014, for the Township are as follows:

General Fund:

Due from Tax Collection Fund	<u>\$ 986</u>
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**NOTE E – TRANSFERS FROM (TO) OTHER FUNDS**

Transfers from (to) other funds, during the year ended March 31, 2014, for the Township are as follows:

**GENERAL FUND**

Transfer to Library Fund	\$ (8,000)
Transfer to Fire Fund	<u>(5,000)</u>
Total General Fund	<u>\$ (13,000)</u>

**TOWNSHIP OF BURR OAK**

**NOTES TO FINANCIAL STATEMENTS – Continued  
FOR THE YEAR ENDED MARCH 31, 2014**

**NOTE F – CAPITAL ASSETS**

Capital asset activity of the Township’s governmental activities was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>April 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>March 31, 2014</b>
<b>GROUP:</b>				
Books - Periodicals	\$ 222,560	\$ -	\$ -	\$ 222,560
Buildings	1,131,000	-	-	1,131,000
Equipment	123,700	1,651	-	125,351
Vehicles	398,346	-	-	398,346
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	1,875,606	1,651	-	1,877,257
<b>ACCUMULATED DEPRECIATION:</b>				
Books - Periodicals	44,512	22,256	-	66,768
Buildings	45,240	22,620	-	67,860
Equipment	49,480	24,988	-	74,468
Vehicles	79,669	39,835	-	119,504
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	218,901	109,699	-	328,600
	<hr/>	<hr/>	<hr/>	<hr/>
Net Capital Assets	<u>\$ 1,656,705</u>	<u>\$ (108,048)</u>	<u>\$ -</u>	<u>\$ 1,548,657</u>

Depreciation expense was charged to activities of the Township as follows:

<b>GOVERNMENTAL ACTIVITIES:</b>	
General government	\$ 65,704
Cultural	43,995
	<hr/>
Total governmental activities	<u>\$ 109,699</u>

## **TOWNSHIP OF BURR OAK**

### **NOTES TO FINANCIAL STATEMENTS – Continued FOR THE YEAR ENDED MARCH 31, 2014**

#### **NOTE G – RETIREMENT PROGRAM**

The Township has a defined contribution 457 retirement plan in which any employee or independent contractor, of the Township, who earns more than \$100 per calendar year, is considered eligible to participate. Plan members are required to contribute 4.03% to 25% of covered payroll. The Township is required to contribute 3.75% of annual covered payroll. The Township's contribution for the year ended March 31, 2014 was \$817.

#### **NOTE H – RISK MANAGEMENT**

The Township of Burr Oak is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for the coverage of the above discussed events. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**TOWNSHIP OF BURR OAK**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 55,500	\$ 55,500	\$ 55,624	\$ 124
Licenses and permits	9,050	9,050	11,353	2,303
State shared revenue	125,000	125,000	131,846	6,846
Charges for services	6,000	6,000	12,240	6,240
Interest earned	100	100	733	633
Other	7,000	7,000	9,120	2,120
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	202,650	202,650	220,916	18,266
<b>EXPENDITURES</b>				
General Government				
Township Board	53,600	53,600	50,160	(3,440)
Supervisor	8,700	8,700	8,500	(200)
Elections	1,500	1,500	104	(1,396)
Assessor	22,000	22,000	18,032	(3,968)
Township Hall	6,600	6,600	3,764	(2,836)
Clerk	11,700	11,700	11,046	(654)
Board of Review	1,200	1,200	630	(570)
Treasurer	15,100	15,100	15,016	(84)
Cemetery	41,200	41,200	34,464	(6,736)
Library	6,000	6,000	4,013	(1,987)
	<hr/>	<hr/>	<hr/>	<hr/>
Total General government	167,600	167,600	145,729	(21,871)
Public safety				
Fire protection	25,000	25,000	25,647	647
Ambulance	12,500	12,500	5,146	(7,354)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Public safety	37,500	37,500	30,793	(6,707)

**TOWNSHIP OF BURR OAK**

**REQUIRED SUPPLEMENTAL INFORMATION**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE - Continued**

**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Public works	<u>20,000</u>	<u>20,000</u>	<u>6,268</u>	<u>(13,732)</u>
Total expenditures	<u>225,100</u>	<u>225,100</u>	<u>182,790</u>	<u>(42,310)</u>
Excess (deficiency) of revenues over expenditures	(22,450)	(22,450)	38,126	60,576
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(13,000)</u>	<u>7,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(42,450)	(42,450)	25,126	67,576
<b>FUND BALANCE - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>281,516</u>	<u>281,516</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ (42,450)</u>	<u>\$ (42,450)</u>	<u>\$ 306,642</u>	<u>\$ 342,092</u>

**TOWNSHIP OF BURR OAK**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**LIBRARY FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 894	\$ 894
State aid	1,200	1,200	1,303	103
Penal fines	8,000	7,000	7,111	111
Contributions	6,500	6,500	6,570	70
Other revenue	-	-	88	88
Total revenue	15,700	14,700	15,966	1,266
<b>EXPENDITURES</b>				
Cultural	29,200	28,200	26,486	(1,714)
Excess of revenues over expenditures	(13,500)	(13,500)	(10,520)	2,980
<b>OTHER SOURCES (USES)</b>				
Transfer from (to) other funds	13,500	13,500	8,000	(5,500)
Excess of revenues and other sources over expenditures and other uses	-	-	(2,520)	(2,520)
<b>FUND BALANCE - BEGINNING</b>	-	-	95,776	95,776
<b>FUND BALANCE - ENDING</b>	\$ -	\$ -	\$ 93,256	\$ 93,256



October 15, 2014

To the Members of the Township Board  
Township of Burr Oak  
St Joseph County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Burr Oak as of and for the year ended March 31, 2014. Professional standards require that we provide you with the following information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Burr Oak 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. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

**Accounting Estimates**

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The Township has no significant sensitive amounts that need to be emphasized to the financial statement user.

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

### **Difficulties Encountered in Performing the Audit**

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

### **Management Representations**

We have requested certain representations from management that are included in the management letter dated October 15, 2014.

### **Management Consultations with Other Independent Accountants**

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

With respect to 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 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 of to the financial statements themselves.

In planning and performing our audit of the financial statements of the Township of Burr Oak as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Burr Oak'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

1. Michigan governments are required to prepare financial statements in accordance with United States Generally Accepted Accounting Principles (GAAP). Responsibility for the financial statements rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data and reporting government-wide and fund financial statements including the related note disclosures.

It has historically been common for many small to medium-size governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at the Township of Burr Oak. The cause for this condition is because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

2. Due to the size of staff the Township of Burr Oak lacks adequate segregation of duties. We understand due to the size of needed staff, a proper segregation of duties may be impractical and the cost vs. benefit relationship may not justify the addition of accounting staff to accomplish the desired segregation.

This communication is intended solely for the information and use of management, Members of the Township Board and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Taylor, Plant & Watkins, P.C.*  
TAYLOR, PLANT & WATKINS, P.C.