

**Eureka Charter Township  
Montcalm County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2014**

Eureka Charter Township  
Montcalm County, Michigan  
December 31, 2014

BOARD OF TRUSTEES

Rodney Roy	Supervisor
Linda Ruwersma	Clerk
Cindy Hanson	Treasurer
Marty Posekany	Trustee
Elaine Pendrick	Trustee
Jeremy Austin	Trustee
C. Brad Kelley	Trustee

Eureka Charter Township

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
Eureka Charter Township  
Greenville, Michigan

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

## **Other Matters**

### *Required Supplementary Information*

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 5, 2015

Eureka Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

The following is a discussion and analysis of Eureka Charter Township (the Township's) financial performance and position, providing an overview of the activities for the year ended December 31, 2014. This analysis should be read in conjunction with the Independent Auditor's Report and with the Township's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

**Financial Highlights**

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

- The Township's net position increased by \$75,010 or 5.3%.
- Total expenses of the Township's programs were \$725,335.
- Total revenues, including all program and general revenues, were \$800,345.
- The fund balance of the Township's General Fund had a net increase of \$40,586 because of cost savings measures implemented throughout the Township, especially within public works and community & economic development.

**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 Eureka Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Eureka Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the Township's own programs. The accounting used for fiduciary fund is like that used for proprietary funds.

**The Township as a Whole**

The following table shows, in a condensed format, the net position as of December 31, 2014 and December 31, 2013.

	December 31,	
	<u>2014</u>	<u>2013</u>
Assets		
Current assets	\$ 1,445,346	\$ 1,375,991
Capital assets	<u>537,036</u>	<u>502,612</u>
Total assets	1,982,382	1,878,603

Eureka Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

**The Township as a Whole - continued**

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Liabilities		
Current liabilities	\$ 70,762	\$ 46,952
Deferred Inflows of Resources	<u>416,400</u>	<u>411,441</u>
Net Position		
Net investment in capital assets	537,036	502,612
Restricted for public safety	219,278	198,712
Unrestricted	<u>738,906</u>	<u>718,886</u>
Total net position	<u>\$ 1,495,220</u>	<u>\$ 1,420,210</u>

The Township's total net position was \$1,495,220 at December 31, 2014. Unrestricted net position (the part of net position that can be used to finance day-to-day operations) was \$738,906 at the end of the year. The net investment in capital assets was \$537,036 at the end of the year.

The following table shows the changes in net position for the year ended December 31, 2014 and December 31, 2013.

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
REVENUES		
Program revenues		
Charges for services	\$ 83,871	\$ 92,358
General revenues		
Property taxes	383,316	380,552
State shared revenue and local sources	313,917	302,208
Investment earnings	1,519	1,661
Other	<u>17,722</u>	<u>17,408</u>
Total revenues	800,345	794,187
PROGRAM EXPENSES		
General government	263,217	242,196
Public safety	250,819	245,382
Public works	175,680	186,166
Community and economic development	35,619	46,747
Interest on long-term debt	<u>-</u>	<u>4,576</u>
Total program expenses	<u>725,335</u>	<u>725,067</u>
Change in net position	<u>\$ 75,010</u>	<u>\$ 69,120</u>

Eureka Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

**Governmental Activities**

The Township's governmental revenues totaled \$800,345 with the greatest revenue source being property tax revenue, making up approximately 48 percent of total revenues. State shared revenue make up approximately 38 percent of total governmental revenue. Over the past year, state shared revenue increased \$11,709.

The Township incurred expenses of \$725,335 during the year. The majority of expenses are associated with the general government, public safety, and public works functions, which includes various general governmental activities, police and fire services, maintenance of highways, streets and bridges as well as drains.

**The Township's Funds**

The analysis of the Township's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, not Eureka Charter Township as a whole. Eureka Charter Township's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages.

The General Fund pays for all of the Township's governmental services. The most significant services provided during the fiscal year were public safety activities of \$269,989, which includes activities for fire and police protection services. General government activities were the next largest at \$203,227 which includes township board, clerk, treasurer, assessor, township hall, etc. activities. Public works was the third largest area for expenditures at \$175,680 for the fiscal year which includes maintenance of streetlights, highways, streets and bridges. These activities are funded primarily through state shared revenues and property taxes.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. The total expenditure budget had a favorable variance of \$52,787 mainly due to strong budgetary control over various expenditures.

**Capital Assets**

At the end of the fiscal year, the Township had \$713,908 invested in capital assets, including land, building and improvements, equipment, and vehicles. There was \$176,872 in accumulated depreciation on these assets with a resulting investment in capital assets (net book value) of \$537,036. See Note C in the financial statements for more details.

**Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan continues to experience significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. With the increases in other revenues, it has been equal to our loss of revenue in the past, but we cannot withstand a reduction in revenue sharing. The State of Michigan sets the rates of revenue sharing. As a township board, we estimate the annual revenue based on figures issued by the State of Michigan on our budget. What we receive does not always agree.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Linda Ruwersma, Township Clerk, Eureka Charter Township, 9322 Southwest Greenville Road, Greenville, MI 48838.



## **BASIC FINANCIAL STATEMENTS**

Eureka Charter Township  
STATEMENT OF NET POSITION  
December 31, 2014

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 893,390
Investments	63,329
Receivables	
Accounts	11,440
Taxes	371,252
Due from other governmental units - State	105,935
Total current assets	1,445,346
Noncurrent assets	
Capital assets not being depreciated	52,770
Capital assets, net of accumulated depreciation	484,266
Total noncurrent assets	537,036
<b>TOTAL ASSETS</b>	<b>1,982,382</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	2,752
Accrued wages	9,852
Other accrued liabilities	3,148
Due to other governmental units - Local	55,010
<b>TOTAL LIABILITIES</b>	<b>70,762</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - taxes levied for subsequent periods	416,400
<b>NET POSITION</b>	
Investment in capital assets	537,036
Restricted for public safety	219,278
Unrestricted	738,906
<b>TOTAL NET POSITION</b>	<b>\$ 1,495,220</b>

See accompanying notes to financial statements.

Eureka Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities			
General government	\$ 263,217	\$ 80,876	\$ (182,341)
Public safety	250,819	-	(250,819)
Public works	175,680	-	(175,680)
Community and economic development	35,619	2,995	(32,624)
Total governmental activities	\$ 725,335	\$ 83,871	(641,464)
General revenues			
Property taxes			383,316
State shared revenue and local sources			313,917
Investment earnings			1,519
Other			17,722
Total general revenues			716,474
Change in net position			75,010
Net position, beginning of the year			1,420,210
Net position, end of the year			\$ 1,495,220

See accompanying notes to financial statements.

Eureka Charter Township

Governmental Fund

BALANCE SHEET

December 31, 2014

	<u>General</u>
ASSETS	
Cash	\$ 893,390
Investments	63,329
Receivables	
Accounts	11,440
Taxes	371,252
Due from other governmental units - State	<u>105,935</u>
TOTAL ASSETS	<u><u>\$ 1,445,346</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 2,752
Accrued wages	9,852
Other accrued liabilities	3,148
Due to other governmental units - Local	<u>55,010</u>
TOTAL LIABILITIES	70,762
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - taxes levied for subsequent periods	<u>416,400</u>
FUND BALANCE	
Restricted for public safety	219,278
Unassigned	<u>738,906</u>
TOTAL FUND BALANCE	<u>958,184</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 1,445,346</u></u>

See accompanying notes to financial statements.

Eureka Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

December 31, 2014

**Fund balance - governmental fund** \$ 958,184

Amounts reported for the 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 as assets in the governmental fund.

The cost of capital assets is	\$ 713,908
Accumulated depreciation is	<u>(176,872)</u>

Capital assets, net	<u>537,036</u>
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<b>Net position of governmental activities</b>	<u><u>\$ 1,495,220</u></u>
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Eureka Charter Township

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended December 31, 2014

	<u>General</u>
REVENUES	
Taxes	\$ 416,283
Intergovernmental	313,917
Charges for services	2,450
Licenses and permits	45,309
Interest and rents	4,664
Other	<u>17,722</u>
TOTAL REVENUES	800,345
EXPENDITURES	
Current	
General government	203,227
Public safety	269,989
Public works	175,680
Community and economic development	35,619
Other	36,984
Capital outlay	<u>38,260</u>
TOTAL EXPENDITURES	<u>759,759</u>
NET CHANGE IN FUND BALANCE	40,586
Fund balance, beginning of year	<u>917,598</u>
Fund balance, end of year	<u><u>\$ 958,184</u></u>

See accompanying notes to financial statements.

Eureka Charter Township

Governmental Fund

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

Year Ended December 31, 2014

**Net change in fund balance - governmental fund** \$ 40,586

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (27,624)	
Capital outlay	<u>62,048</u>	
Excess of capital outlay over depreciation expense		<u>34,424</u>
<b>Change in net position of governmental activities</b>		<u>\$ 75,010</u>

Eureka Charter Township

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2014

	<u>Current Tax Fund</u>
ASSETS	
Cash	<u>\$ 695,944</u>
LIABILITIES	
Undistributed receipts	<u>\$ 695,944</u>

See accompanying notes to financial statements.



Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Eureka Charter Township (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan and was incorporated as a charter township under provisions of Act 359, Public Acts of 1947, as amended by the Public Acts of 1976. The Township is one of twenty (20) townships in Montcalm County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four trustees, each of whom are elected for a four-year office term. The Township provides services in many areas including public safety (police and fire), community development, roads, planning and zoning, and general administrative services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by generally accepted accounting principles in the United States of America, these financial statements present all financial activities of Eureka Charter Township. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Eureka Charter Township contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Township as a whole. All nonfiduciary activities of the Township are included (i.e., fiduciary fund activities are not included in the government-wide financial statements).

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund.

The Township reports the following major governmental fund:

- a. 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.

The Township also reports an agency fund to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency fund is the Current Tax Fund.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement for the Agency Fund since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded in the government-wide statements when resources are received by the Township before it has legal claim to them.

The governmental fund is accounted for using the modified accrual basis of accounting. Under this method of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

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

Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting

The General Fund budget shown in the required supplementary information of the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

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

- a. Prior to January 1, the budget is legally adopted at the fund level through passage of a Board resolution after a public hearing is held to obtain taxpayer comments. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

6. Cash and Investments

Cash consists of checking accounts and a money market savings account. Investments consist of certificates of deposit with an original maturity of greater than 90 days. Cash and investments are recorded at market value.

7. Receivables

Receivables consist of amounts due from governmental units for property taxes levied that have not been collected and amounts due from various individuals and businesses related to charges for services.

8. Due From Other Governmental Units

Due from other governmental units consists of state shared revenue that is still owed to the Township at year-end.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. The Township does not have a formal policy in place establishing capitalization thresholds, etc. but in practice, capital assets are those assets with an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Building and improvements	10 - 40 years
Equipment	10 - 15 years
Vehicles	15 - 25 years

Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

10. Property Taxes

Eureka Charter Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Montcalm County Treasurer on March 1 of the year following the levy. The Montcalm County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2014 tax is levied and collectible on December 31, 2014, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted by charter to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and extra voted millages for police and road related activities and additional amounts for debt service. For the year ended December 31, 2014, the Township levied 0.8068 mills per \$1,000 of assessed valuation for general governmental services. In addition, the Township levied 1.0000 mills for police protection, 0.7500 for fire, and 0.5000 for roads. The total taxable value for the 2013 levy (revenue in 2014) for property within the Township was \$123,022,839.

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as liabilities in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining liabilities, are not expected to be paid out of available financial resources and are therefore are only recorded at the government-wide level.

12. Restrictions of Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of the net position from their use for unrestricted purposes.

13. Restrictions of Fund Balance

Restricted fund balance shown in the fund level financial statements indicates a portion of fund balance that is not available for expenditure or has been legally segregated for a specific purpose.

14. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or the fund level balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Township currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position and/or the fund level balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has one (1) type of deferred inflows of resources reported at the fund level and the government-wide level for taxes levied for subsequent periods.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Eureka Charter Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2014, the carrying amount of the Township's deposits was \$1,649,915 and the bank balance of \$1,509,272 of which \$563,329 was covered by federal depository insurance and the amount of \$945,943 was uninsured and uncollateralized. The cash caption in the basic financial statements includes \$2,748 of imprest cash.

Eureka Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Deposits - continued

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2014, the Township did not have any accounts that would be subject to rating.

Interest rate risk

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 market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

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 designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and investments referred to above have been reported in either the cash or investments captions in the basic financial statements, based upon criteria disclosed in Note A.

The following summarizes the categorization of these amounts as of December 31, 2014:

	Governmental Activities	Fiduciary Fund	Reporting Entity
Cash	\$ 893,390	\$ 695,944	\$ 1,589,334
Investments	63,329	-	63,329
	\$ 956,719	\$ 695,944	\$ 1,652,663

Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance Jan. 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2014
Capital assets not being depreciated				
Land	\$ 52,770	\$ -	\$ -	\$ 52,770
Construction in progress	13,440	33,548	(46,988)	-0-
Total capital assets not being depreciated	66,210	33,548	(46,988)	52,770
Capital asset being depreciated				
Building and improvements	350,198	46,988	-	397,186
Equipment	17,314	28,500	-	45,814
Vehicles	218,138	-	-	218,138
Subtotal	585,650	75,488	-0-	661,138
Less accumulated depreciation for:				
Building and improvements	(79,107)	(13,915)	-	(93,022)
Equipment	(9,761)	(4,379)	-	(14,140)
Vehicles	(60,380)	(9,330)	-	(69,710)
Subtotal	(149,248)	(27,624)	-0-	(176,872)
Net capital assets being depreciated	436,402	(27,624)	-0-	484,266
Capital assets, net	\$ 502,612	\$ 5,924	\$ (46,988)	\$ 537,036

Depreciation expense of \$18,294 was allocated to the general government function and \$9,330 was allocated to the public safety function on the statement of activities.

**NOTE D: RISK MANAGEMENT**

The Township maintains commercial insurance coverage for workers' compensation, employee theft, property, in-land marine, crime, auto, and liability losses.

**NOTE E: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard.

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE E: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED**

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

*Unassigned* - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Eureka Charter Township's highest level of decision-making authority is the Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution.

For assigned fund balance, Eureka Charter Township has not approved a policy indicating who is authorized to assign amounts to a specific purpose, therefore the authority for assigning fund balance remains with the Board of Trustees.

Eureka Charter Township has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

**NOTE F: DEFERRED COMPENSATION PLAN**

Eureka Charter Township is the sponsor of a deferred compensation plan organized under Internal Revenue Code 457 for the sole benefit of its employees. The Eureka Charter Township MI 457 Defined Contribution Plan is administered by Security Benefit. The Township board can make amendments to the plan and establish contribution rates. Under a deferred compensation plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account. Currently, the plan is 100% employee funded, the Township does not make any contributions. During the year ended December 31, 2014, employees contributed \$3,900.



Eureka Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

**NOTE G: BUILDING AND ZONING FINANCIAL INFORMATION**

The Township elected to report the financial activities of the zoning commission in the General Fund. The following is the required information as it relates to this commission for the year ended December 31, 2014:

Deficit at January 1, 2014	\$ (94,164)
REVENUES	
Licenses and permits	
Zoning permits	2,995
EXPENDITURES	
Zoning Commission	<u>29,430</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(26,435)</u>
Cumulative deficit at December 31, 2014	<u><u>\$ (120,599)</u></u>

**NOTE H: UPCOMING CHANGE IN ACCOUNTING PRINCIPLES**

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2016 year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Eureka Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property taxes	\$ 380,791	\$ 380,791	\$ 381,420	\$ 629
Trailer tax	1,800	1,800	1,896	96
Administrative fees	34,366	34,366	32,967	(1,399)
Total taxes	416,957	416,957	416,283	(674)
Intergovernmental				
State revenue sharing	300,846	300,846	306,721	5,875
Local sources	5,275	5,275	7,196	1,921
Total intergovernmental	306,121	306,121	313,917	7,796
Charges for services				
Cemetery lots	200	200	2,450	2,250
Licenses and permits				
Franchise fees	38,544	38,544	41,914	3,370
Zoning permits	3,500	3,500	2,995	(505)
Local licenses	200	200	400	200
Total licenses and permits	42,244	42,244	45,309	3,065
Interest and rents	3,600	3,600	4,664	1,064
Other	15,541	15,541	17,722	2,181
<b>TOTAL REVENUES</b>	<b>784,663</b>	<b>784,663</b>	<b>800,345</b>	<b>15,682</b>
<b>EXPENDITURES</b>				
Current				
General government				
Township board	67,500	67,500	43,172	24,328
Supervisor	17,000	17,000	15,426	1,574
Clerk	21,500	21,500	20,230	1,270
Board of review	3,000	3,000	2,504	496
Treasurer	21,100	21,100	20,961	139
Assessor	33,264	33,264	33,195	69
Elections	15,000	15,000	9,825	5,175
Township hall	32,700	32,700	31,657	1,043
Cemetery	3,000	3,000	2,155	845
Other	38,300	24,300	24,102	198
Total general government	252,364	238,364	203,227	35,137

Eureka Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public safety				
Police appropriation	\$ 130,000	\$ 143,000	\$ 143,000	\$ -0-
Fire appropriation	95,500	95,500	126,989	(31,489)
Total public safety	225,500	238,500	269,989	(31,489)
Public works				
Street lights	8,000	8,000	6,490	1,510
Highways, streets, and bridges	171,000	171,000	160,212	10,788
Drains	9,500	9,500	8,978	522
Total public works	188,500	188,500	175,680	12,820
Community and economic development				
Planning commission	18,500	15,500	6,189	9,311
Zoning commission	38,000	38,000	29,430	8,570
Total community and economic development	56,500	53,500	35,619	17,881
Other				
Greenville transit	12,500	12,500	12,951	(451)
Social security and Medicaid	19,000	22,000	21,387	613
Other	3,500	3,500	2,646	854
Total other	35,000	38,000	36,984	1,016
Capital outlay	26,000	40,000	38,260	1,740
TOTAL EXPENDITURES	783,864	796,864	759,759	37,105
NET CHANGE IN FUND BALANCE	799	(12,201)	40,586	52,787
Fund balance, beginning of year	917,598	917,598	917,598	-0-
Fund balance, end of year	\$ 918,397	\$ 905,397	\$ 958,184	\$ 52,787

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Members of the Township Board  
Eureka Charter Township  
Greenville, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Eureka Charter Township (the Township) as of and for the year ended December 31, 2014, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

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

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. While the Township's trial balance was reasonably accurate as reported on a cash basis, these entries were necessary to adjust the Township's cash basis information to the modified accrual basis of accounting. The entries relate to cash, due from other governmental units, taxes receivable, accounts payable, unavailable revenues, and due to other governmental units. These entries were brought to the attention of management and were subsequently recorded in the Township's general ledger.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, including the proper recording of journal entries to assure the trail balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Township's internal control to be a significant deficiency:

#### PREPARATION OF FINANCIAL STATEMENTS

Governmental entities are required to issue financial statements that are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. That responsibility for the financial statements rests with the Township. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting of all applicable financial statements, including the related note disclosures (i.e., external financial reporting). A similar issue was noted and reported in our prior audit comments.

We recommend the Township consider providing applicable employees with training that would allow them to attain the qualifications required to fully understand the GAAP financial statement preparation process.

This recommendation is not intended to imply that the Township's contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provision of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 5, 2015