

# Jasper Township

Financial Statements  
March 31, 2014



Jasper Township  
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March 31, 2014

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Jasper Township  
Midland County, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jasper Township (the Township), 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to 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, 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.

### ***Change in Accounting Principle***

As discussed in the notes to the financial statements, during the year the Township implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of the implementation of these Statements, the financial statements have been changed to reflect the new presentations required by GASB Statements No. 63 and No. 65, as applicable. Our opinion is not modified with respect to this matter.

## **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 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2014, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Roslund, Prestage & Company, P.C.".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 30, 2014

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



Jasper Township  
Management's Discussion and Analysis

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We, the Township Board of Jasper Township, offer citizens of the Township our financial statements with this narrative overview and analysis of the financial activities of Jasper Township for the fiscal year ended March 31, 2014.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Jasper 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 supplemental 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 of the Township's assets and liabilities, with the difference between the two reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include general government, public safety, public works, and community and economic development.

The table below shows a condensed, comparative statement of net position:

	2014	2012
<b>Assets:</b>		
Current assets	\$ 653,703	\$ 686,035
Noncurrent assets	26,996	10,789
Total assets	680,699	696,824
<b>Liabilities:</b>		
Current liabilities	3,554	5,957
<b>Net Position:</b>		
Net investment in capital assets	26,996	10,789
Restricted – Fire services	18,197	-
Restricted – Solid waste removal services	79,596	-
Unrestricted	552,356	680,078
Total net position	\$ 677,145	\$ 690,867

Jasper Township  
Management's Discussion and Analysis

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The table below shows a condensed, comparative statement of activities:

	<b>2014</b>	<b>2012</b>
<b>Program Revenues:</b>		
Charges for services	\$ -	\$ 50
Operating grants and contributions	3,950	-
<b>General revenues:</b>		
Property taxes	103,807	97,347
State grants	87,623	89,596
Interest	2,792	4,130
Other revenues	59,280	60,310
Total revenues	257,452	251,433
<b>Program Expenses:</b>		
General government	120,700	77,323
Public safety	39,722	39,307
Public works	145,489	99,070
Community and economic development	974	1,925
Total expenses	306,885	217,625
Increase (decrease) in net position	(49,433)	33,808
Net position, beginning of year	726,578	657,059
Net position, end of year	\$ 677,145	\$ 690,867

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Jasper 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 can be divided into two categories: governmental funds and fiduciary 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, government fund financial statements focus on near-term inflows and outflows 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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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, citizens may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

The *Fire Fund* is used by the Township to account for the resources generated and expenses paid for fire protection.

The *Solid Waste Fund* is used by the Township to account for the resources generated and expenses paid for solid waste activities.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government (i.e. tax collection fund). Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the back of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's Budget to Actual comparison. Required supplementary information can be found in the back of this report.

### **Financial Highlights**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of Jasper Township, total assets, including capital assets, exceeded liabilities by \$677,145 at the close of the most recent fiscal year.

The unrestricted net position of Jasper Township exceeded its liabilities at the close of the most recent fiscal year by \$552,356, which may be used to meet the Township's ongoing obligations to citizens and creditors.

One of the most significant portions of the Township's net position reflects its careful investment in capital assets (e.g., land, building, equipment) over the years with no related debt remaining to acquire these assets. The Township uses these capital assets to provide services to citizens; consequently, these assets **are not** available for future spending.

Governmental activities decreased the Township's net position by \$49,433.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$552,356, which exceeds the total general fund expenditures for the current year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township Board may amend the budget to take into account events during the year. For the fiscal year ended March 31, 2014, the following changes were made to the budgets:

General Fund Expenditures:

1. Assessor increased from \$8,400 to \$9,900
2. Audit decreased from \$3,750 to \$2,950
3. Board of Review Wages increased from \$900 to \$1,400
4. Clerk increased from \$11,000 to \$11,300



Jasper Township  
Management's Discussion and Analysis

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5. Dues & Membership decreased from \$3,000 to \$2,200
6. Fire Fund increased from \$3,366 to \$3,666
7. Insurance increased from \$4,000 to \$4,500
8. Office Supplies decreased from \$5,000 to \$1,000
9. Roads increased from \$35,500 to \$67,620.11
10. Social Security & Medicare increased from \$4,000 to \$4,800
11. Township Hall – Repair, Maintenance & Supplies increased from \$2,000 to \$29,000
12. Township Hall – Capital Outlay decreased from \$40,000 to \$27,904.89
13. Treasurer increased from \$11,000 to \$15,675

This increased the overall fiscal year expenditures for the General Fund from \$185,100 to \$235,100. This increase includes a \$50,000 cd that was cashed in for Roads (\$58,500) and Township Hall – Repair, Maintenance & Supplies (\$29,000).

Solid Waste Expenditures:

1. Republic Waste Services – Solid Waste Pickup was increased from \$46,392 to \$50,025

This increased the overall fiscal year expenditures for Solid Waste from \$59,360 to \$62,993

Fire Fund Revenue:

2. Transfer from General Fund was increased from \$3,366 to \$3,666

This increased the overall fiscal year revenue for Fire Fund from \$40,721 to \$41,021

**Capital Asset and Debt Administration**

*Capital Assets.* The Township's investment in capital assets for its governmental activities as of March 31, 2014, amount to \$26,996, which is net of accumulated depreciation.

The major capital asset events during the current fiscal year included siding the Township hall.

*Long-Term Debt.* At the end of the current fiscal year, the Township had no long-term debts outstanding.

**Economic Factors and Next Year's Budget and Rates**

The Township Board is aware of changes needed for the Mid-Michigan Community Fire Control Board that will include construction of a new fire hall on recently purchased property. At the time of the preparation of the 2014-2015 fiscal year budget, the Township Board had no projected cost. Based on this awareness, the Township Board planned to cash in a \$50,000 cd and transfer the funds to the Fire Fund Revenue. The low return of interest payments on the Township's investments were considered again due to low interest rates and cashing in of cd's. These factors were all considered in preparing the Township's budget for the 2014-2015 fiscal year.

The Township presented a balance budget in the 2014-2015 fiscal year.

Township revenues from its property tax millage, property tax collection fees and State revenue sharing are expected be comparable to the previous year.

**Requests for Information**

The financial report is designed to provide a general overview of Jasper Township's finances for all those with an interest in the Township's finances. Questions concerning any of the additional financial information should be addressed to the Clerk of the Township in writing to 5595 W. Kent Road, St. Louis, MI, 48880, or by telephone at (989) 681-5570.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Jasper Township  
Statement of Net Position  
March 31, 2014

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 260,367
Investments	350,000
Due from other governments	<u>43,336</u>
Total current assets	653,703
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>26,996</u>
Total assets	<u>680,699</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>3,554</u>
Total current liabilities	3,554
<b>Net position</b>	
Net investment in capital assets	26,996
Restricted:	
Fire service	18,197
Solid waste removal services	79,596
Unrestricted	<u>552,356</u>
Total net position	<u>\$ 677,145</u>

Jasper Township  
Statement of Activities  
For the Year Ended March 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	
<b>Governmental activities</b>				
General government	\$ 120,700	\$ -	\$ -	\$ (120,700)
Public safety	39,722	-	-	(39,722)
Public works	145,489	-	3,950	(141,539)
Community and economic development	974	-	-	(974)
Total governmental activities	<u>\$ 306,885</u>	<u>\$ -</u>	<u>\$ 3,950</u>	(302,935)
<b>General revenues</b>				
Property taxes				103,807
State grants				87,623
Unrestricted investment earnings				2,792
Other revenues				<u>59,280</u>
Total general revenues				253,502
Change in net position				(49,433)
Net position - beginning of year				<u>726,578</u>
Net position - end of year				<u>\$ 677,145</u>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**



Jasper Township  
Balance Sheet - Governmental Funds  
March 31, 2014

	Major Funds			Total Governmental Funds
	General	Special Revenue Fire	Special Revenue Solid Waste	
<b>Assets</b>				
Cash and cash equivalents	\$ 176,221	\$ 13,860	\$ 70,286	\$ 260,367
Investments	350,000	-	-	350,000
Due from other governments	27,239	4,337	11,760	43,336
Due from agency fund	-	-	-	-
<b>Total assets</b>	<u><u>\$ 553,460</u></u>	<u><u>\$ 18,197</u></u>	<u><u>\$ 82,046</u></u>	<u><u>\$ 653,703</u></u>
<b>Liabilities</b>				
Accounts payable	\$ 1,104	\$ -	\$ 2,450	\$ 3,554
<b>Fund balance</b>				
Restricted	-	18,197	79,596	97,793
Unassigned	552,356	-	-	552,356
<b>Total Fund Balance</b>	<u><u>552,356</u></u>	<u><u>18,197</u></u>	<u><u>79,596</u></u>	<u><u>650,149</u></u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 553,460</u></u>	<u><u>\$ 18,197</u></u>	<u><u>\$ 82,046</u></u>	<u><u>\$ 653,703</u></u>

Jasper Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Position of Governmental Activities on the Statement of Net Position  
For the Year Ended March 31, 2014

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Total fund balance - governmental funds \$ 650,149

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

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

Add: Cost of capital assets	298,920
Deduct: Accumulated depreciation	<u>(271,924)</u>

Net position of governmental activities \$ 677,145

Jasper Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended March 31, 2014

	Major Funds			Total Governmental Funds
	General	Special Revenue Fire	Special Revenue Solid Waste	
<b>Revenues</b>				
Taxes and penalties	\$ 66,354	\$ 37,453	\$ -	\$ 103,807
Licenses and permits	-	-	-	-
State grants	91,573	-	-	91,573
Charges for services	-	-	-	-
Interest and rentals	2,725	7	60	2,792
Other revenues	-	-	59,280	59,280
<b>Total revenues</b>	<u>160,652</u>	<u>37,460</u>	<u>59,340</u>	<u>257,452</u>
<b>Expenditures</b>				
General government	111,230	-	-	111,230
Public safety	-	39,722	-	39,722
Public works	83,632	-	61,857	145,489
Community and economic development	974	-	-	974
Other expenditures	8,396	-	-	8,396
<b>Total expenditures</b>	<u>204,232</u>	<u>39,722</u>	<u>61,857</u>	<u>305,811</u>
Excess of revenues over (under) expenditures	(43,580)	(2,262)	(2,517)	(48,359)
<b>Other financing sources (uses)</b>				
Transfers in (out)	<u>(3,666)</u>	<u>3,666</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(47,246)	1,404	(2,517)	(48,359)
Fund balance - beginning of year	<u>599,602</u>	<u>16,793</u>	<u>82,113</u>	<u>698,508</u>
Fund balance - end of year	<u>\$ 552,356</u>	<u>\$ 18,197</u>	<u>\$ 79,596</u>	<u>\$ 650,149</u>



Jasper Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended March 31, 2014

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Net change in fund balances - total governmental funds \$ (48,359)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Deduct: Depreciation expense (1,074)

Change in net position of governmental activities \$ (49,433)

Jasper Township  
Statement of Net Position - Agency Fund  
For the Year Ended March 31, 2014

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	<u>Tax Collection Fund</u>
<b>Assets</b>	
Cash	<u>\$ -</u>
Total assets	<u><u>\$ -</u></u>
<b>Liabilities</b>	
Due to general fund	<u>\$ -</u>
Total liabilities	<u><u>\$ -</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Jasper Township (the Township) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Township.

### **Reporting Entity**

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

### **Joint Ventures**

Mid-Michigan Community Fire Control Board – The Township is a member of the Mid-Michigan Community Fire Control Board which is a joint venture between the City of St. Louis, Bethany Township, Pine River Township and Jasper Township. The Fire Board provides fire protection services to its members of local governments. The City and Townships each appoint one member to the joint venture's governing board. This board then determines and approves the annual budget.

The Township makes annual contributions to the Fire Board based on a formula using the average of the last 4 years of fire runs to determine the percentage cost applicable to each participating unit.

For the period April 1, 2013 through March 31, 2014, the Township's contribution to the Board was \$39,772.

The Township is aware that the Mid-Michigan Community Fire Control Board will be constructing a new fire hall for which the Township will incur additional costs. As of March 31, 2014, the Township's portion of the cost of the new fire hall was not available. Complete financial statements for the year ended June 30, 2013 can be obtained by writing to: Mid-Michigan Community Fire Board, 108 W. Saginaw, St. Louis, Michigan 48880.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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

Net position is restricted when constraints placed on it are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

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

## **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

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

Fiduciary Fund Financial Statements - Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is on net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

### Governmental Funds

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

The *Fire Fund* is used by the Township to account for the resources generated and expenses paid for fire protection.

The *Solid Waste Fund* is used by the Township to account for the resources generated and expenses paid for solid waste disposal.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Budgetary Data**

Budgets are adopted by the Township for the general, fire, and solid waste funds. These budgets are adopted and prepared on the modified accrual basis of accounting. The budgets are adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

### Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with a maturity of 3 months or less.

### Investments

The Township's investments are considered to be certificates of deposit with a maturity of over 3 months.

### Receivables

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

Due from other governmental units consists primarily of amounts due from the State of Michigan and Midland County.

### Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund types.

### Capital Assets

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

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

The Township does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings & Improvements	25 - 40
Equipment & Furnishings	5
Computers	3

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the financial statements 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has no items that qualify of reporting in this category.

In addition to liabilities, the financial statements 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has no items that qualify for reporting in this category.

### **Fund Balances**

Beginning with fiscal year 2012, the Township implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory or prepaid expenditures) or are either legally or contractually 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.
- Committed fund balance—amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

### **Property Taxes**

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2013 Taxable Valuation of the Township totaled \$37,093,201 on which 1.3364 mills were levied for operating purposes and 1.0000 mill was levied for fire protection.

The total 2013 levy for the Township was \$49,567 for operating purposes, \$37,091 for fire protection. Also, special assessments of \$59,280 were levied for solid waste disposal.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2014, the Township did not incur expenditures in excess of the amounts appropriated as shown in the back of this report.

**NOTE 3 - DETAILED NOTES**

**Cash and Investments**

At March 31, the carrying amount of the Township's cash and investments were as follows:

Cash deposits	\$ 260,367
Certificate of deposits	350,000
Total	\$ 610,367

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. As of year-end, the carrying amount of the Township's deposits was \$610,367 and the bank balance was \$619,700. Of the bank balance, \$550,014 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

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

Investments

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. As of year-end, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.



Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

**Receivables**

As of the year-end, amounts "Due from Other Governments" consists of the following:

State of Michigan – state revenue sharing	\$ 20,097
Midland County – property tax settlement	23,239
Total	\$ 43,336

**Capital Assets**

A summary of changes in general fund capital assets follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Capital Assets</b>				
Buildings & Improvements	\$ 263,950	\$ 17,820	\$ -	\$ 281,770
Equipment & Furnishings	17,150	-	-	17,150
Computers	12,063	-	(12,063)	-
Sub-total	293,163	17,820	(12,063)	298,920
<b>Accumulated Depreciation</b>				
Buildings & Improvements	(253,700)	(1,074)	-	(254,774)
Equipment & Furnishings	(17,150)	-	-	(17,150)
Computers	(12,063)	-	12,063	-
Sub-total	(282,913)	(1,074)	12,063	(271,924)
Totals	\$ 10,250	\$ 16,746	\$ -	\$ 26,996

Depreciation expense was charged to the general government function.

## **Risk Management**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

## **Change in Accounting Principle**

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new format to certain financial statements to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, when applicable.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items previously reported as assets and liabilities as outflows of resources and inflows of resources.

These statements impact the format and reporting of amounts in the statement of net position and the balance sheet at the government-wide level and the fund level, respectively.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**



Jasper Township  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended March 31, 2014

	Budget		Actual	Favorable (Unfavorable) Variance Between Actual and Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes and penalties	\$ 62,907	\$ 62,907	\$ 66,354	\$ 3,447
Licenses and permits	-	-	-	-
State grants	91,556	91,556	91,573	17
Charges for services	300	300	-	(300)
Interest and rentals	3,050	3,050	2,725	(325)
Other revenues	-	-	-	-
Total revenues	<u>157,813</u>	<u>157,813</u>	<u>160,652</u>	<u>2,839</u>
<b>Expenditures</b>				
General government	117,434	133,714	111,230	22,484
Public works	53,500	85,620	83,632	1,988
Community and economic development	2,800	2,800	974	1,826
Other expenditures	8,000	9,300	8,396	904
Total expenditures	<u>181,734</u>	<u>231,434</u>	<u>204,232</u>	<u>27,202</u>
Excess of revenues over (under) expenditures	(23,921)	(73,621)	(43,580)	30,041
<b>Other financing sources (uses)</b>				
Transfers out	(3,366)	(3,666)	(3,666)	-
Excess of revenues and other sources over (under) expenditures and other uses	(27,287)	(77,287)	(47,246)	30,041
Fund balance - beginning of year	<u>599,602</u>	<u>599,602</u>	<u>599,602</u>	<u>-</u>
Fund balance - end of year	<u>\$ 572,315</u>	<u>\$ 522,315</u>	<u>\$ 552,356</u>	<u>\$ 30,041</u>

Jasper Township  
 Budgetary Comparison Schedule  
 Fire Fund  
 For the Year Ended March 31, 2014

	Budget		Actual	Favorable (Unfavorable) Variance Between Actual and Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes and penalties	\$ 35,830	\$ 35,830	\$ 37,453	\$ 1,623
Charges for services	1,500	1,500	-	(1,500)
Interest and rentals	25	25	7	(18)
Total revenues	<u>37,355</u>	<u>37,355</u>	<u>37,460</u>	<u>105</u>
<b>Expenditures</b>				
Public safety	<u>40,721</u>	<u>40,721</u>	<u>39,722</u>	<u>999</u>
Total expenditures	<u>40,721</u>	<u>40,721</u>	<u>39,722</u>	<u>999</u>
Excess of revenues over (under) expenditures	(3,366)	(3,366)	(2,262)	1,104
<b>Other financing sources (uses)</b>				
Transfers in	<u>3,366</u>	<u>3,666</u>	<u>3,666</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	300	1,404	1,104
Fund balance - beginning of year	<u>16,793</u>	<u>16,793</u>	<u>16,793</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 16,793</u></u>	<u><u>\$ 17,093</u></u>	<u><u>\$ 18,197</u></u>	<u><u>\$ 1,104</u></u>

Jasper Township  
 Budgetary Comparison Schedule  
 Solid Waste Fund  
 For the Year Ended March 31, 2014

	Budget		Actual	Favorable (Unfavorable) Variance Between Actual and Final Budget
	Original	Final		
<b>Revenues</b>				
Interest and rentals	\$ 80	\$ 80	\$ 60	\$ (20)
Other revenues	59,280	59,280	59,280	-
Total revenues	59,360	59,360	59,340	(20)
<b>Expenditures</b>				
Public works	59,360	62,993	61,857	1,136
Total expenditures	59,360	62,993	61,857	1,136
Excess of revenues over (under) expenditures	-	(3,633)	(2,517)	(2,517)
Fund balance - beginning of year	82,113	82,113	82,113	-
Fund balance - end of year	<u>\$ 82,113</u>	<u>\$ 78,480</u>	<u>\$ 79,596</u>	<u>\$ (2,517)</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Jasper Township  
Midland County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jasper Township (the Township) 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 and have issued our report thereon dated June 30, 2014

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2014-1 to be a material weakness.

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 deficiency described in the accompany schedule of findings and responses as 2014-2 to be a significant deficiency.

**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 provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Jasper Township's Response to Findings**

Jasper Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roslund, Prestage & Company, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

June 30, 2014



**Finding 2014-1**

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITOR

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditor. These misstatements were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust accounts payable, due from other governmental entities and beginning fund balance.

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 trial balances from which the financial statements are prepared are in conformity with accounting principles generally accepted in the United States of America (GAAP). The auditor cannot be a part of internal controls.

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

Client Response

We are aware of this deficiency and will work to ensure that material journal entries are no longer required in the future.

**Finding 2014-2**

PREPARATION OF THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 115 (SAS 115), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that 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 (1) recording, processing, and summarizing accounting data, and (2) reporting government-wide and fund financial statements, including the related note disclosures.

The Township, like many other small governments, relies 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. This reliance makes the independent auditors effectively part of the Township's internal controls. By definition, independent auditors cannot be part of the Township's internal controls.

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

Client Response

We are aware of this deficiency and will consider providing the required training to our employees.

