

Platte Township

Benzie County, Michigan

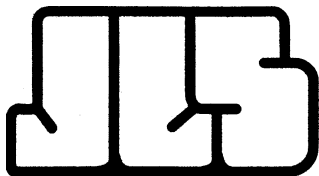
Audited Financial Statements

For the Year Ended March 31, 2014

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA
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James Dulzo, MBA

INDEPENDENT AUDITOR'S REPORT

Platte Township Board
11935 Fowler Road
Honor, MI 49640

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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, each major fund, and the aggregate remaining fund information of the Platte Township, State of Michigan, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 on pages 3-7 and 20-21 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.

J. L. Stephen Co. P.A.

July 2, 2014



Platte Township
Management's Discussion and Analysis
For the Year Ended March 31, 2014

This section of Platte Township's annual financial report represents its discussion and analysis of the Township's financial performance during the year ended March 31, 2014. Please read it in conjunction with its financial statements which immediately follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Reporting the Township as a Whole

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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for instance, depreciation expense associated with capital assets).

Government-wide financial statements distinguish functions of the Township principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government administration, public safety, public works, community and economic development, and recreation and cultural activities. The Township does not operate business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Platte Township
Management's Discussion and Analysis
For the Year Ended March 31, 2014

Fund Financial Statements - continued

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between general fund and government-wide statements.

The Township maintains one governmental fund and it is considered a major fund for financial reporting purposes as defined by GASB Statement No. 34 and or the state of Michigan.

The Township adopts a budget in accordance with State law using the modified accrual method of accounting. A budgetary comparison schedule is provided for the General Fund, to demonstrate budgetary compliance.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Township activities. The Township maintains a tax collection fund.

Notes to the Financial Statements - The notes to financial statements provide additional information essential to a full understanding of the information provided in the Township's financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Township.

Platte Township
Management's Discussion and Analysis
For the Year Ended March 31, 2014

Government-wide Financial Analysis

Statement of Net Position The Township's governmental activity net position increased approximately 8% for the year ended March 31, 2014. The primary reason for the increase in governmental activity net position is good fiscal management. The activity is summarized below:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Current Assets	\$ 268,766	\$ 245,593	\$ 23,173
Non-Current Assets			
Capital Assets - net	<u>36,010</u>	<u>36,610</u>	<u>(600)</u>
Total Assets	<u><u>304,776</u></u>	<u><u>282,203</u></u>	<u><u>22,573</u></u>
Liabilities			
Current Liabilities	-	-	-
Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Net Position			
Invested in Capital Assets	36,010	36,610	(600)
Unrestricted	<u>268,766</u>	<u>245,593</u>	<u>23,173</u>
Total Net Position	<u><u>\$ 304,776</u></u>	<u><u>\$ 282,203</u></u>	<u><u>\$ 22,573</u></u>

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. The Township's total assets exceed liabilities by \$304,776 and more importantly, current assets exceed current liabilities by \$268,766 at the close of the most recent fiscal year. The former is an indication of the Township's ability to meet its current obligations.

Approximately 12% of the net position, \$36,010, reflects the Township's investment in capital assets (i.e. land, buildings, and, general equipment) less any related debt used to acquire those assets that is still outstanding. The Township uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted the resources required to repay the debt, if any, must be provided by other sources as capital assets cannot be liquidated to satisfy debt.

Platte Township
Management's Discussion and Analysis
For the Year Ended March 31, 2014

Government-wide Financial Analysis - continued
Statement of Activities - Activities are analyzed below:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 3,325	\$ 570	\$ 2,755
Operating Grants	1,362	1,364	(2)
Capital Grants	-	-	-
General Revenue			
Property Taxes	71,316	47,472	23,844
State Shared Revenues	26,316	25,812	504
Investment Earnings	433	673	(240)
Rents & Royalties	-	28,481	(28,481)
Reimbursements	-	2,498	(2,498)
Miscellaneous/Other Revenue	-	185	(185)
Special Items			
Gain/(Loss) - Asset Disposl.	-	-	-
Total Revenues	<u>102,752</u>	<u>107,055</u>	<u>(4,303)</u>
Expenses			
General Government	47,158	43,136	4,022
Public Safety	25,357	16,753	8,604
Public Works	1,086	3,156	(2,070)
Community & Econ. Dev.	4,800	6,351	(1,551)
Other Functions	1,778	6,099	(4,321)
Total Expenses	<u>80,179</u>	<u>75,495</u>	<u>4,684</u>
Change in Net Position	22,573	31,560	(8,987)
Beginning Net Position	282,203	250,643	31,560
Ending Net Position	<u>\$ 304,776</u>	<u>\$ 282,203</u>	<u>\$ 22,573</u>

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's only major governmental fund is also its only governmental fund, the General Fund.

Platte Township
Management's Discussion and Analysis
For the Year Ended March 31, 2014

Government-wide Financial Analysis - continued

The General Fund accounts for functions relating to the general government activities of the Township, which are financed by property tax levies, distribution of State revenues, and fees charged for various municipal activities and services. This fund recorded a 9.4% increase in fund balance of \$23,173. The 8% increase in net position of \$22,573 varies from the change in fund balance due to recognition of depreciation on the full accrual basis.

General Fund Budgetary Highlights

Prior to the beginning of the fiscal year, the Township's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Township Board acted to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. However, there were significant expenditures in excess of budget for the following activities: Assessor, Township Hall, and Cemetery.

Capital Assets and Debt Administration

Capital Assets - The Township's investment in capital assets for governmental activities at year-end amounts are summarized below.

	<i>2014</i>	<i>2013</i>	<i>Change</i>
<i>Assets</i>			
Land	\$ 34,500	\$ 34,500	\$ -
Buildings & Improvements	52,794	52,794	-
Furniture & Fixtures	3,208	3,208	-
Office Equipment	4,154	4,154	-
	<u>94,656</u>	<u>94,656</u>	-
<i>Accumulated Depreciation</i>	<u>(58,646)</u>	<u>(58,046)</u>	<u>(600)</u>
Total Net Assets	<u>\$ 36,010</u>	<u>\$ 36,610</u>	<u>\$ (600)</u>

There were no significant asset additions or deletions in the current or prior years.

Debt Administration - At the end of the current fiscal year, the Township had no outstanding long-term debt.

Economic Outlook

We continue to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Township's residents with the same level of service to which they have been accustomed. However, should State-shared revenues or property tax base be reduced further, reductions in services are inevitable.

Contacting the Authority's Financial Management

This Financial report is designed to provide a general overview of the Township's finances for all those interested in the government's finances. If you have any questions about the report or need additional information, contact Platte Township, 11935 Fowler Road, Honor, Michigan 49640.

Platte Township
Government Wide
Statement of Net Position
March 31, 2014

Exhibit A

	<i>Governmental Activities</i>
Assets	
Cash and Cash Equivalents	\$ 264,328
Taxes Receivable	4,427
Due from Others	11
Capital Assets - Net	<u>36,010</u>
<i>Total Assets</i>	<u>304,776</u>
Liabilities	
Accounts Payable	<u>-</u>
<i>Total Liabilities</i>	<u>-</u>
Net Position	
Invested in Capital Assets - net of related debt	36,010
Unrestricted	<u>268,766</u>
<i>Total Net Position</i>	<u>\$ 304,776</u>

The Notes to Financial Statements are an integral part of this statement

Platte Township
Governmental Funds
Balance Sheet
March 31, 2014

Exhibit C

	<i>General Fund</i>	<i>Total</i>
Assets		
Cash	\$ 264,328	\$ 264,328
Taxes Receivable	4,427	4,427
Due from Others	11	11
	<u>268,766</u>	<u>268,766</u>
<i>Total Assets</i>		
Liabilities		
Accounts Payable	-	-
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>
Fund Balances		
Fund Balance - Unassigned	268,766	268,766
	<u>268,766</u>	<u>268,766</u>
<i>Total Fund Balance</i>	<u>\$ 268,766</u>	<u>268,766</u>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
General Governmental Capital Assets of \$94,656 net of accumulated depreciation of (\$58,646) are not financial resources and not reported in the funds.		<u>36,010</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 304,776</u>

The Notes to Financial Statements are an integral part of this statement

Platte Township
Governmental Fund
Statement of Revenue, Expenditures
and Changes on Fund Balance
For the Year Ended March 31, 2014

Exhibit D

	<i>General Fund</i>	<i>Total Governmental Funds</i>
<i>Revenues</i>		
Taxes	\$ 71,316	\$ 71,316
State Grants	27,678	27,678
Cemetery	3,325	3,325
Interest Earned	433	433
Rents & Royalties	-	-
Reimbursements	-	-
Miscellaneous Income	-	-
<i>Total Revenues</i>	<u>102,752</u>	<u>102,752</u>
<i>Expenditures</i>		
General Government	46,558	46,558
Public Safety	25,357	25,357
Public Works	1,086	1,086
Community & Economic Development	4,800	4,800
Other Functions	1,778	1,778
<i>Total Expenditures</i>	<u>79,579</u>	<u>79,579</u>
<i>Excess Revenues Over (Under) Expenditures</i>	23,173	23,173
Fund Balance - Beginning	<u>245,593</u>	<u>245,593</u>
Fund Balance - Ending	<u>\$ 268,766</u>	<u>\$ 268,766</u>
Change in Fund Balance - Total Governmental Funds		\$ 23,173
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 and reported as depreciation expense.		
Add: Capital Outlay		-
Subtract: Depreciation		(600)
<i>Change in net position of governmental activities (Exhibit B)</i>		<u>\$ 22,573</u>

The Notes to Financial Statements are an integral part of this statement

Platte Township
Fiduciary Fund
Statement of Net Position
March 31, 2014

Exhibit E

	<i>Tax Collection</i>
Assets	
Cash	\$ 11
Due From Others	-
	<hr/>
<i>Total Assets</i>	<u>\$ 11</u>
Liabilities	
Due to General Fund	\$ 11
Due to Others	-
	<hr/>
<i>Total Liabilities</i>	<u>\$ 11</u>

The Notes to Financial Statements are an integral part of this statement

Platte Township
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Platte Township have been prepared in accordance with generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting Entity

Platte Township is a common law township as defined by the laws of the State of Michigan. An elected Supervisor and Township Board govern the Township.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Platte Township
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township collects summer school taxes from July 1st through September 15th and property taxes between December 1st and March 15th on the taxable valuation of the property (as defined by State Statute) located in the township as of December 31st preceding year.

The Township's 2013 ad valorem tax is levied and collectible on December 1st and it is the Township's policy to recognize revenue from the current tax levy when the proceeds of the levy are budgeted and made "available" for financing operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). After this time, the taxes become delinquent and must be paid at the County Treasurer's office. Any uncollected real property taxes that become delinquent March 1st are purchased (paid) by Benzie County after the Township's year-end from the proceeds of revolving tax notes. Personal property taxes are the responsibility of the Township to collect. Additionally, state-share revenues associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The 2013 taxable valuation of the Township totaled \$16,906,647, on which ad valorem taxes levied consisted of .8772 mills for Township operations, and 1.5 mills for fire services. After adjustments, the levies raised \$14,828 for Township operations, and \$25,349 for fire services. These amounts are recognized in General Fund financial statements as taxes receivable or current tax revenue.

The Township collects summer school taxes from July 1 and September 15 and property taxes between December 1 and February 28. Any uncollected real property taxes that become delinquent March 1 are purchased (paid) by Benzie County after the Township's year-end. Delinquent property taxes and administration fees receivable are normally received within 60 days of the Township's fiscal year end, and are therefore reflected as a current receivable on the combined balance sheet and as a component current revenue.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, and other intergovernmental revenues.

Platte Township
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Additionally, the government reports the following fund type:

Tax Collection Fund - Trust and Agency Funds are used to account for assets held by the Township in a trustee or custodial capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of Governmental Accounting Standards Board.

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

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net position or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables – All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Taxes are considered delinquent after March 15th at which time penalties and interest are assessed. No allowance for uncollectible accounts has been recorded as the Township considers all receivable to be collectible

Capital Assets – capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Generally, capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives.

- Office Equipment 5 years
- Furniture & Fixtures 5-7 years
- Building and Land Improvements 10-30 years

Platte Township
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund Equity –The Governmental Accounting Standards Board has recently issued a new pronouncement, GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54, that eliminates the current use of the terms “reserved” and “designated” in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance.

Fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable* - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted* - 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* - Amounts that can be used only for specific purposes determined by formal action by the Township Board ordinance of resolution.
- *Assigned* - Amounts the Township intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned* - All amounts not included in other spendable classifications.

Restricted Assets – It is the Township’s policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for the purposes for which both restricted and unrestricted fund balance are available. The Township’s policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by the assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. In the initial GASB 54 implementation year, beginning fund balances for all special revenue funds will be classified as restricted unless they are negative, in which case they must be shown as negative unassigned.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

Platte Township
Notes to Financial Statements
 March 31, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the current year, the Township incurred the following expenditures in excess of the amounts appropriated.

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
General Fund: Township Board	\$ 10,000	\$ 10,963	\$ (963)
General Fund: Board of Review	1,050	1,106	(56)
General Fund: Elections	1,800	1,814	(14)
General Fund: Township Hall	5,000	7,090	(2,090)
General Fund: Cemetery	2,500	2,996	(496)

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Michigan Compiled Laws, Section 129.91

This law authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements' bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Council has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as outlined above.

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

B. Types of Deposits and Investments

At year-end, the Local Unit's cash deposits and cash equivalents were reported in the basic financial statements in the following categories:

	<i>Governmental Activities</i>	<i>Fiduciary Activities</i>	<i>Total Primary Government</i>
Cash & Equivalents	\$ 264,328	\$ 11	\$ 264,339
Restricted Assets	-	-	-
	\$ 264,328	\$ 11	\$ 264,339

Platte Township
Notes to Financial Statements
 March 31, 2014

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS - continued

The breakdown between deposits and investments is as follows:

	<i>Primary Government</i>
Time & Demand Deposits	\$ 264,328

The bank balance of the primary government's deposits is \$267,701 all of which federal depository insurance.

NOTE 4 – SUMMARY OF CAPITAL ASSETS

Capital asset activity of the primary government for the current year is summarized as follows:

Governmental Activities

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending Balance</i>
<i>Non-Depreciated Capital Assets</i>				
Land	\$ 34,500	\$ -	\$ -	\$ 34,500
<i>Depreciated Capital Assets</i>				
Buildings & Improvements	52,794	-	-	52,794
Office Equipment	4,154	-	-	4,154
Furniture & Fixtures	3,208	-	-	3,208
<i>Total Depreciable Assets</i>	60,156	-	-	60,156
<i>Accumulated Depreciation</i>				
Buildings & Improvements	(50,179)	(368)	-	(50,547)
Office Equipment	(3,010)	(516)	-	(3,526)
Furniture & Fixtures	(3,208)	-	-	(3,208)
	(56,397)	(884)	-	(57,281)
<i>Depreciated Capital Assets - net</i>	3,759	(884)	-	2,875
<i>Total Governmental Capital Assets - net</i>	\$ 38,259	\$ (884)	\$ -	\$ 37,375

Platte Township
Notes to Financial Statements
March 31, 2014

NOTE 4 – SUMMARY OF CAPITAL ASSETS - continued

Depreciation expense in the current year was charged to programs of the primary government as follows:

Governmental Activities

General Government	<u>\$ 884</u>
	<u><u>\$ 884</u></u>

NOTE 5 – RISK MANAGEMENT

The Township pays an annual premium to Michigan Municipal Underwriters for its general insurance coverage through the Michigan Township Participating Plan. The Township carries coverage for property damage, liability, crime, and wrongful acts. Also, it carries worker's compensation insurance with The Accident Fund of Michigan. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – SUBSEQUENT EVENT

Subsequent events were evaluated through July 2, 2014, which is the date the financial statements were available to be issued. There were no events, material in nature that would have an effect on the financial statements and related footnotes

REQUIRED SUPPLEMENTAL INFORMATION

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

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Beginning Fund Balance	\$ 245,593	\$ 245,593	\$ 245,593	\$ -
<i>Resources (Inflows)</i>				
Property Taxes	13,000	13,000	13,319	319
Fire Taxes	20,000	20,000	22,775	2,775
Delinquent Taxes	4,000	4,000	4,427	427
Commercial Forrester	100	100	-	(100)
Swamp Tax	9,200	9,200	24,473	15,273
PILT	100	100	771	671
Property Tax Admin. Fee	6,000	6,000	4,486	(1,514)
SET Administration Fee	1,100	1,100	1,065	(35)
Fees & Permits	500	500	-	(500)
State Shared Revenue	22,000	22,000	26,316	4,316
State ROW	1,400	1,400	1,362	(38)
Cemetery	200	200	3,325	3,125
Interest Earned	500	500	433	(67)
Rents & Royalties	100	100	-	(100)
Reimbursements	1,000	1,000	-	(1,000)
Miscellaneous Income	-	-	-	-
Transfers from Other Funds	-	-	-	-
<i>Total Available for Appropriation</i>	324,793	324,793	348,345	23,552
<i>Charges to Appropriations (Outflows)</i>				
<i>General Government</i>				
Township Board	10,000	10,000	10,963	(963)
Supervisor	4,700	4,700	4,614	86
Clerk	6,000	6,000	5,800	200
Board of Review	1,050	1,050	1,106	(56)
Treasurer	7,500	7,500	7,249	251
Assessor	5,000	5,000	4,926	74
Elections	1,800	1,800	1,814	(14)
Township Hall	5,000	5,000	7,090	(2,090)
Cemetery	2,500	2,500	2,996	(496)
<i>Public Safety</i>				
Fire	25,400	25,400	25,357	43
<i>Public Works</i>				
Roads	4,000	4,000	1,086	2,914
<i>Community & Economic Dev.</i>				
Zoning	4,800	4,800	4,800	-

Notes to Financial Statements are an integral part of this statement

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

Schedule 1

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Favorable (Unfavorable)</i>
Other Expenditures				
Payroll Taxes	2,000	2,000	1,778	222
Contingencies/Miscellaneous	25	25	-	25
Transfers to Other Funds	-	-	-	-
<i>Total Charges to Appropriations</i>	<i>79,775</i>	<i>79,775</i>	<i>79,579</i>	<i>196</i>
Budgetary Fund Balance	<u>\$ 245,018</u>	<u>\$ 245,018</u>	<u>\$ 268,766</u>	<u>\$ 23,748</u>

Notes to Financial Statements are an integral part of this statement

OTHER INFORMATION (UNAUDITED)

Platte Township

Comments and Recommendations

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Platte Township as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Platte Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in Platte Township's internal control to be significant deficiencies:

Reporting Financial Data

A significant deficiency includes any condition that adversely affects the ability of an Organization to report financial data in accordance with generally accepted accounting principles (GAAP). The Township has not implemented a system of controls to prepare financial statements in accordance with GAAP including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. It relies upon an independent auditor to identify and develop material adjustments necessary to convert its financial information to full accrual financial statements and prepare those financial statements and appropriate disclosures in accordance with GAAP.

The services noted above are allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization lacks the ability to prepare financial statements in conformity with GAAP, or when material audit adjustments are identified, auditing standards require those conditions be communicated in writing.

The Township has determined the additional costs outweigh the benefits of implementing an appropriate financial reporting system noted above. This is not significantly different from other small local units of government. Additionally, it appears the township's accounting and reporting system, in general, is sufficient to analyze financial information, allowing it to perform its duty of serving the community in a fiduciary manner. This is a repeat finding.

Platte Township

Comments and Recommendations

Budgeting

Section 16 of Public Act 2 of 1968, as amended, through Public Act 493 of 2000 (the Act) indicates “budgeted expenditures, including an accrued deficit, shall not exceed budgeted revenues, including available surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act”.

The budgetary comparison schedules show 5 instances of violation of the budgeting act.

The instances of non-conformity noted above appear consistent with prior years and show a general lack of understanding of the budgeting process and procedures by the Board as a whole. It is not solely the clerk’s responsibility to maintain, understand and conform to all budgeting practices and procedures. It is the Board’s fiduciary responsibility, to understand and conform to State laws, regulations, and procedures. We strongly recommend reviewing the State’s *Uniform Budgeting Manual* and *Uniform Accounting Procedures Manual* available on the Treasury’s website at the links below.

http://www.michigan.gov/documents/UniformBudgetManual_16634_7.pdf

http://www.michigan.gov/documents/treasury/AccountingProceduresManual_202967_7.pdf

This is a repeat comment. We also discussed policies and procedures prominently noted in the budgeting manual with the clerk during and after fieldwork. We also provided a budget worksheet in electronic format to aid with overall budget compliance.

Segregation of Duties

We recognize the Township operates with limited personnel. The clerk and treasurer perform many duties optimally performed by multiple individuals. In many cases, the lack of personnel to segregate duties could be considered a significant deficiency in internal control.

However, we believe the Township has, or is in the process of implementing sufficient compensating controls, as outlined in the State’s *Uniform Accounting Procedures Manual*, to reduce the risk of material misstatement of financial data.

Dual Signatures on Checks

According to the State’s *Uniform Accounting Procedures Manual*, each local unit must establish and maintain an adequate system of internal control. Specific to control of disbursements, the manual states, among other items:

“Dual signatures are required for all checks (except the separate tax collection checking account). The dual signatures must be the clerk (or deputy clerk) and the treasurer (or deputy treasurer) (See charter).”

Platte Township

Comments and Recommendations

We noted only single signature checks are used by the Township. We strongly recommend all township officials, especially the clerk, treasurer, and supervisor review the manual. Not all policies and procedures in the manual will fall within the Township's cost benefit assessment. However, many are important, cost little to implement and will enhance township official's fiduciary responsibility to safeguard township assets.

We offer the following to improve the Township's accounting and reporting systems:

Chart of Accounts

We understand the Township intends to continue implementation of a computerized accounting system. We noted during fieldwork, the clerk and treasurer appear to understand and use the chart as designed. They should be commended for their efforts and encouraged to fully implement an electronic, computerized accounting system.

Invoice Review, Approval and Payment

We note disbursements appear to be well supported with original documentation attached to check vouchers. The clerk should be commended for her efforts. In an effort to enhance controls, we recommend initialing and dating the invoices or other documentation as approved and prepared for payment. You'll find this recommendation and the reason for it in the State's *Uniform Accounting Procedures Manual*.

We also noted instances of vendors with regular monthly charges being paid bi-monthly. A review of invoices show the Township incurred additional costs in the form of late charges. We recommend greater care be given to make timely payment.

Closing Comments

We will be happy to discuss any of these recommendations with you and assist you in their implementation. If questions arise regarding this audit report and the conduct of our audit, please contact us at your convenience.