

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY

FIFE LAKE, MICHIGAN

MARCH 31, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MARCH 31, 2014

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June 13, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Springfield Township
Kalkaska County
Fife Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township, Kalkaska County, Fife Lake, 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 misstatements 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 Springfield Township, Kalkaska County, Fife Lake, Michigan as of March 31, 2014, and the respective changes in financial position for the year then ended in conformity 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 iii through ix and 18-19 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

As management of Springfield Township (“the Township”), we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of Springfield Township exceeded its liabilities at the close of the most recent fiscal year by \$1,050,943 (*net position*). Of this amount, \$410,954 represents unrestricted net position, which may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$755,618, an increase of \$214,016 in comparison with the prior year. Approximately 54% of this amount (\$410,954) is available for spending at the Township’s discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$410,954.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support 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 financial information on all of the Township’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township’s net position changed during the 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 for some items that will only result in cash flows in future periods.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, recreation and cultural, and other functions.

The government-wide financial statements can be found on pages 1-2 of this report.

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. Springfield 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, 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 assessing 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 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 Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Municipal Street Fund, Fire Fund, Park and Recreation Fund, Ambulance Fund, and Aquatic Weed Control Fund, which are considered to be major funds.

The Township is required to adopt an annual budget for all major funds. A budgetary comparison has been provided for all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Fiduciary Funds Fiduciary 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 the Township's own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

The fiduciary fund financial statement can be found on page 7 of this report.

Notes to Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 8-17 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Springfield Township, assets exceeded liabilities by \$1,050,943, at the close of the most recent fiscal year.

Springfield Township
Net Position as of March 31,

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 761,116	\$ 547,505
Non Current Assets		
Capital Assets	406,659	384,485
Less Accumulated Depreciation	<u>(111,334)</u>	<u>(96,918)</u>
Total Non Current Assets	<u>295,325</u>	<u>287,567</u>
Total Assets	<u>1,056,441</u>	<u>835,072</u>
Liabilities		
Current Liabilities	<u>5,498</u>	<u>5,903</u>
Net Position		
Net Investment in Capital Assets	295,325	287,567
Restricted for Specific Purposes	344,664	347,769
Unrestricted	<u>410,954</u>	<u>193,833</u>
Total Net Position	<u>\$ 1,050,943</u>	<u>\$ 829,169</u>

A portion of the Township's net position (28%) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

An additional portion of the Township’s net position (33%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$410,954 is unrestricted may be used to meet the government’s ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Springfield Township’s overall net position increased by \$221,774 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

**Springfield Township
Change in Net Position
for the Fiscal Year Ended March 31,**

	2014	2013
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 5,400	\$ 3,815
Operating Grants and Contributions	21,664	16,760
General Revenues		
Property Taxes	128,896	128,778
State Grants	114,927	111,056
Interest Earnings	1,050	531
Other	174,074	8,841
Total Revenues	446,011	269,781
<u>Expenses</u>		
General Government	102,636	112,798
Public Safety	39,294	38,909
Public Works	17,637	25,504
Health and Welfare	40,455	40,599
Recreational and Cultural	14,363	15,406
Other Functions	9,852	9,623
Total Expenses	224,237	242,839
Change in Net Position	221,774	26,942
<u>NET POSITION</u> - Beginning of Year	829,169	802,227
<u>NET POSITION</u> - End of Year	\$ 1,050,943	\$ 829,169

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Governmental Activities. The governmental activities accounted for an increase of \$221,774 in the Township's net position. The most significant part of the revenue for all governmental activities of Springfield Township typically comes from property taxes and state-shared revenues. For the year ended March 31, 2014, Other Revenue was the most significant portion of the Township's revenue due to proceeds received from the sale of timber.

The Township's governmental activities expenses are dominated by the General Government expenses. The Township spent \$102,636 in fiscal year 2013-2014 on General Government. Health and Welfare represented the next largest expense at \$40,455, followed by Public Safety in the amount of \$39,294.

Financial Analysis of the Governmental Funds

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

Governmental Funds The focus of Springfield Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At March 31, 2014, Springfield Township's governmental funds reported combined fund balances of \$755,618, an increase of \$214,016 in comparison with the prior year. Approximately 54% of this amount (\$410,954) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$344,664), 4) committed for particular purposes, or 5) assigned for particular purposes.

General Fund – The General Fund increased its fund balance by \$219,986 which brings the fund balance to \$413,819. All of this fund balance is unassigned, with the exception of \$2,865, which is restricted for telecommunications right of way expenditures. Tax related revenues amounted to \$51,582. State grants were collected in the amount of \$117,022. The reason for the large increase in fund balance can be attributed to approximately \$168,000 the Township received related to the sale of timber.

Municipal Street Fund – The Municipal Street Fund decreased its fund balance by \$22,174 which brings the fund balance to \$178,114. This balance is restricted and must be used for street improvements.

Fire Fund – The Fire Fund increased its fund balance by \$6,035 which brings the fund balance to \$128,115. This balance is restricted and must be used for fire protection. Property taxes amounted to \$39,029.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Park and Recreation Fund – The Park and Recreation Fund increased its fund balance by \$2,954 which brings the fund balance to \$10,046. This balance is restricted and must be used for parks and recreation.

Ambulance Fund – The Ambulance Fund's fund balance remained the same at \$0. Property taxes amounted to \$39,055. Expenditures for contracted ambulance protection services amounted to \$39,055.

Aquatic Weed Control Fund – The Aquatic Weed Control Fund increased its fund balance by \$7,215 which brings the fund balance to \$25,524. This balance is restricted and must be used for weed control. Special assessments amounted to \$7,215.

General Fund Budgetary Highlights

During the year, there was an increase of \$164,143 in appropriations between the original budget and final amended budget. Following are the significant reasons for the increase:

- \$157,893 increase in contingency expenditures.
- Appropriations were changed by insignificant amounts in various other functions

Revenues were also increased \$164,143 due to the proceeds related to the sale of timber. Since the Township typically budgets the use of its entire fund balance, the budgeted expenditures were increased significantly due to the receipt of the unexpected revenue.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 160,600	\$ 324,743	\$ 349,121
Total Expenditures	\$ 160,600	\$ 324,743	\$ 129,135

As explained above, contingencies were the principle reason for the variance between the budgeted expenditures and actual expenditures.

Capital Assets

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2014, amounted to \$295,325 net of accumulated depreciation.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Springfield Township
Capital Assets as of March 31,

	<u>2014</u>	<u>2013</u>
Land	\$ 14,886	\$ 14,886
Buildings	141,555	141,555
Infrastructure	245,218	223,044
Equipment	5,000	5,000
	<u>406,659</u>	<u>384,485</u>
Less Accumulated Depreciation	<u>(111,334)</u>	<u>(96,918)</u>
Net Capital Assets	<u><u>\$ 295,325</u></u>	<u><u>\$ 287,567</u></u>

Economic Condition and Outlook

It appears that state-shared revenues and taxable values have stabilized, stabilizing the two largest revenue streams of the Township. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the 2014-2015 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Springfield Township at P.O. Box 171, Fife Lake, Michigan 49633.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 712,488
Receivables	
Accounts	5,922
Taxes	15,215
Special Assessments	393
Due from Other Governments	26,828
External Party (Fiduciary Fund)	270
	761,116
Total Current Assets	761,116
<u>CAPITAL ASSETS</u>	
Land	14,886
Buildings	141,555
Infrastructure	245,218
Equipment	5,000
	406,659
Less Accumulated Depreciation	111,334
Net Capital Assets	295,325
Total Assets	1,056,441
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	840
Due to Other Governments	4,658
	5,498
Total Liabilities	5,498
<u>NET POSITION</u>	
Net Investment in Capital Assets	295,325
Restricted for Telecommunications Right of Way	2,865
Restricted for Street Improvements	178,114
Restricted for Fire Protection	128,115
Restricted for Parks and Recreation	10,046
Restricted for Aquatic Weed Control	25,524
Unrestricted	410,954
	1,050,943
TOTAL NET POSITION	\$ 1,050,943

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 102,636	\$ 3,850	\$ 0	\$ 0	\$ (98,786)
Public Safety	39,294	0	0	0	(39,294)
Public Works	17,637	0	2,865	0	(14,772)
Health and Welfare	40,455	0	0	0	(40,455)
Recreation and Cultural	14,363	1,550	18,799	0	5,986
Other Functions	9,852	0	0	0	(9,852)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 224,237	\$ 5,400	\$ 21,664	\$ 0	(197,173)
 <u>GENERAL REVENUES</u>					
Property Taxes					128,896
State Grants					114,927
Interest Earnings					1,050
Other					174,074
					418,947
Change in Net Position					221,774
<u>NET POSITION</u> - Beginning of Year					829,169
<u>NET POSITION</u> - End of Year					\$ 1,050,943

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2014

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	PARK AND RECREATION FUND	AMBULANCE FUND	AQUATIC WEED CONTROL FUND	TOTALS
<u>ASSETS</u>							
Cash	\$ 375,740	\$ 178,114	\$ 123,457	\$ 10,046	\$ 0	\$ 25,131	\$ 712,488
Taxes Receivable	5,899	0	4,658	0	4,658	0	15,215
Accounts Receivable	5,922	0	0	0	0	0	5,922
Special Assessments Receivable	0	0	0	0	0	393	393
Due from Other Governments	26,828	0	0	0	0	0	26,828
Due from Other Funds	270	0	0	0	0	0	270
TOTAL ASSETS	\$ 414,659	\$ 178,114	\$ 128,115	\$ 10,046	\$ 4,658	\$ 25,524	\$ 761,116
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES</u>							
Due to Other Governments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,658	\$ 0	\$ 4,658
Accounts Payable	840	0	0	0	0	0	840
Total Liabilities	840	0	0	0	4,658	0	5,498
<u>FUND BALANCE</u>							
Restricted for:							
Telecommunications Right of Way Maintenance	2,865	0	0	0	0	0	2,865
Street Improvements	0	178,114	0	0	0	0	178,114
Fire Protection	0	0	128,115	0	0	0	128,115
Parks and Recreation	0	0	0	10,046	0	0	10,046
Aquatic Weed Control	0	0	0	0	0	25,524	25,524
Unassigned	410,954	0	0	0	0	0	410,954
Total Fund Balance	413,819	178,114	128,115	10,046	0	25,524	755,618
TOTAL LIABILITIES AND FUND BALANCE	\$ 414,659	\$ 178,114	\$ 128,115	\$ 10,046	\$ 4,658	\$ 25,524	\$ 761,116

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY

FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

MARCH 31, 2014

Total Fund Balances for Governmental Funds \$ 755,618

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.

Land	\$	14,886	
Buildings		141,555	
Infrastructure		245,218	
Equipment		5,000	
Accumulated Depreciation		(111,334)	295,325
			<hr/>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,050,943

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2014

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	PARK AND RECREATION FUND	AMBULANCE FUND	AQUATIC WEED CONTROL FUND	TOTALS
<u>REVENUES</u>							
Taxes	\$ 51,582	\$ 0	\$ 39,029	\$ 0	\$ 39,055	\$ 0	\$ 129,666
State Grants	117,022	0	0	0	0	0	117,022
Charges for Services	3,200	0	0	0	0	0	3,200
Interest and Rents	2,593	0	0	7	0	0	2,600
Other Revenues	174,724	0	0	11,584	0	7,215	193,523
Total Revenues	349,121	0	39,029	11,591	39,055	7,215	446,011
<u>EXPENDITURES</u>							
General Government	99,842	0	0	0	0	0	99,842
Public Safety	6,300	0	32,994	0	0	0	39,294
Public Works	6,485	22,174	0	0	0	0	28,659
Health and Welfare	1,400	0	0	0	39,055	0	40,455
Recreation and Cultural	5,256	0	0	8,637	0	0	13,893
Other Functions	9,852	0	0	0	0	0	9,852
Total Expenditures	129,135	22,174	32,994	8,637	39,055	0	231,995
Excess (Deficiency) of Revenues Over Expenditures	219,986	(22,174)	6,035	2,954	0	7,215	214,016
<u>FUND BALANCE</u> - Beginning of Year	193,833	200,288	122,080	7,092	0	18,309	541,602
<u>FUND BALANCE</u> - End of Year	\$ 413,819	\$ 178,114	\$ 128,115	\$ 10,046	\$ 0	\$ 25,524	\$ 755,618

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 214,016
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	22,174
Depreciation Expense	<u>(14,416)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 221,774</u>

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2014

	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 2,031
<u>LIABILITIES</u>	
Due to Other Funds	270
Due to Other Governments	1,761
Total Liabilities	2,031
<u>NET POSITION</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Springfield Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Springfield Township is a general law township located in Kalkaska County which operates under the direction of an elected Township Board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Springfield Township reports the following major governmental funds:

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

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditure for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Park and Recreation Fund* accounts for revenue sources that are restricted to expenditures for parks and recreation.

The *Ambulance Fund* accounts for revenue sources that are legally restricted to expenditures for ambulance service.

The *Aquatic Weed Control Fund* accounts for revenue sources that are restricted for expenditures for aquatic weed control.

Additionally Springfield Township reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
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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 timing of related cash flows. Property taxes are recognized as revenues 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

The annual budget is adopted on the modified accrual basis in accordance with the requirements of "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budget amounts are as originally adopted on March 24, 2013 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Township Board	\$ 16,250	\$ 19,754
Building and Grounds	4,000	4,331
Ambulance Fund		
Public Safety	37,100	39,055

These overages were funded by available fund balance and greater than anticipated revenues.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

2. Inventories and Prepaid Items

Inventories are not significant and are expensed as incurred.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) 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 market value at date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	40-60
Building Improvements	15-30
Infrastructure	20
Vehicles	3-5
Office Equipment	3-5
Computer Equipment	3-5

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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 does not have any deferred inflows of resources.

5. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund Balance Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

7. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

8. *Use of Estimates*

The presentation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

2. *Property Taxes*

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2013 taxable valuation of Springfield Township totaled \$37,174,605, on which ad valorem taxes levied consisted of 1.000 mill for Springfield Township operating purposes, 1.000 mill for ambulance services, and 1.000 mill for fire protection. The levies raised approximately \$37,175 for operating purposes, \$37,175 for ambulance services, and \$37,175 for fire protection.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2014. Additionally, the Township did not adopt a budget for the Parks and Recreation Fund, which is required by law.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

The Township's deposits are on deposit with First Merit Bank and Forest Area Federal Credit Union.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2014, \$250,586 of the government's bank balance of \$715,489 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the Township's investment policy does not specifically address custodial credit risk, it typically limits its exposure by controlling who holds the Township's deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

B. Receivables

Receivables as of year-end for the government's individual major funds are as follows:

	General	Fire	Ambulance	Aquatic Weed Control	Total
Receivables					
Taxes	\$ 5,899	\$ 4,658	\$ 4,658	\$ 0	\$ 15,215
Accounts	5,922	0	0	0	5,922
Special Assessments	0	0	0	393	393
Intergovernmental	26,828	0	0	0	26,828
Total	<u>\$ 38,649</u>	<u>\$ 4,658</u>	<u>\$ 4,658</u>	<u>\$ 393</u>	<u>\$ 48,358</u>

Amounts due from other governments include amounts due from State sources related to state-shared revenues.

The allowance for doubtful accounts is not considered to be material for disclosure.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 14,886	\$ 0	\$ 0	\$ 14,886
Capital assets, being depreciated				
Buildings	141,555	0	0	141,555
Infrastructure	223,044	22,174	0	245,218
Equipment	5,000	0	0	5,000
Total capital assets, being depreciated	<u>369,599</u>	<u>22,174</u>	<u>0</u>	<u>391,773</u>
Less accumulated depreciation for				
Buildings	38,452	3,264	0	41,716
Infrastructure	53,466	11,152	0	64,618
Equipment	5,000	0	0	5,000
Total accumulated depreciation	<u>96,918</u>	<u>14,416</u>	<u>0</u>	<u>111,334</u>
Total capital assets, being depreciated, net	<u>272,681</u>	<u>7,758</u>	<u>0</u>	<u>280,439</u>
Governmental activities capital assets, net	<u>\$ 287,567</u>	<u>\$ 7,758</u>	<u>\$ 0</u>	<u>\$ 295,325</u>

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

General Government	\$ 2,794
Public Works	11,152
Recreation and Culture	<u>470</u>
Total depreciation expense - governmental activities	<u><u>\$ 14,416</u></u>

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2014, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 270	\$ 0
Fiduciary Fund		
Current Tax Collection Fund	<u>0</u>	<u>270</u>
	<u><u>\$ 270</u></u>	<u><u>\$ 270</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

There were no interfund transfers during the fiscal year March 31, 2014.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

E. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

IV. OTHER INFORMATION

A. Property Tax Administration Fee

The Township passed a resolution to charge a 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collections will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

SPRINGFIELD TOWNSHIP, KALKASKA COUNTY
FIFE LAKE, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2014

	GENERAL FUND			MUNICIPAL STREET FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 47,000	\$ 42,600	\$ 51,582	\$ 0	\$ 0	\$ 0
State Grants	112,700	112,800	117,022	2,500	0	0
Charges for Services	0	0	3,200	0	0	0
Interest and Rents	400	1,450	2,593	0	0	0
Other Revenues	500	167,893	174,724	0	0	0
Total Revenues	160,600	324,743	349,121	2,500	0	0
<u>EXPENDITURES</u>						
General Government						
Township Board	16,600	16,250	19,754	0	0	0
Supervisor	10,000	9,000	8,252	0	0	0
Election	3,000	5,350	5,350	0	0	0
Assessor	15,000	15,500	15,418	0	0	0
Budget Administrator	5,000	5,000	5,000	0	0	0
Clerk	13,000	10,000	7,714	0	0	0
Board of Review	3,000	2,400	2,037	0	0	0
Treasurer	18,000	20,000	19,990	0	0	0
Building and Grounds	5,000	4,000	4,331	0	0	0
Cemetery	10,000	20,000	11,996	0	0	0
Public Safety						
Ordinance Enforcement	3,000	2,400	2,400	0	0	0
Fire Department	4,000	4,000	3,900	0	0	0
Public Works						
Highways, Streets and Bridges	1,200	1,200	1,200	6,000	40,000	22,174
Refuse Collection and Disposal	8,000	5,500	5,285	0	0	0
Health and Welfare						
Hospital	2,000	2,000	1,400	0	0	0
Ambulance	0	0	0	0	0	0
Recreation and Cultural						
Aquatic Weed Control	0	0	0	0	0	0
Parks and Recreation	5,000	5,900	5,256	0	0	0
Other Functions						
Insurance and Bonds	6,500	6,050	6,044	0	0	0
Employee Benefits	5,000	5,000	3,808	0	0	0
Contingency	27,300	185,193	0	0	0	0
Total Expenditures	160,600	324,743	129,135	6,000	40,000	22,174
Excess (Deficiency) of Revenues Over Expenditures	0	0	219,986	(3,500)	(40,000)	(22,174)
<u>FUND BALANCE</u> - Beginning of Year	0	0	193,833	0	0	200,288
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 413,819	\$ (3,500)	\$ (40,000)	\$ 178,114



Baird, Cotter & Bishop, P.C.

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134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

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June 13, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board
Springfield Township
Kalkaska County
Fife Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 24, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Springfield Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, each major fund, and the aggregate remaining fund information of Springfield Township's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We detected various material misstatements as a result of our audit procedures that were corrected by management. The majority of these misstatements were a result of converting the township's records from cash to accrual basis.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2014.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Springfield Township for the year ended March 31, 2014, we noted the following items which we feel deserve comment:

Budgeting

Michigan law requires the Township to adopt a budget for the Parks and Recreation Fund.

Additionally, the Township's actual expenditures exceeded appropriations in various activities of the General Fund and in total for the Ambulance Fund. The budget should always be amended prior to incurring the expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes. The Township should also adopt a budget that includes an amount for beginning fund balance, to ensure that budgets are not adopted that reflect an ending deficit fund balance.

Reconciliation of Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure in a timely manner.

Consistency of the Voucher System

During the course of our audit, it was noted that certain employees were not using official vouchers when requesting reimbursement from the Township. We recommend that all reimbursement requests are requested through the formal vouchers that other employees use to provide consistency throughout the Township's internal control system.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

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June 13, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Springfield Township
Kalkaska County
Fife Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Springfield 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 Springfield Township's internal control over financial reporting (internal control) as a basis for designing audit 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 Springfield Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Springfield 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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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 following deficiencies in Springfield Township's internal control to be material weaknesses:

1) Segregation of Incompatible Duties and Documented Independent Review

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

Springfield Township's responses to the material weaknesses identified in our audit are described above. We did not audit Springfield Township's response and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.