

TOWNSHIP OF BUCKEYE

Gladwin County, Michigan

Financial Statements

For the Year Ended March 31, 2014



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Township of Buckeye

Gladwin County, Michigan

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SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Buckeye
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Township of Buckeye, Gladwin County, 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 and each major fund of the *Township of Buckeye, Gladwin County, Michigan*, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8) and budgetary comparison schedules (pages 23 through 26) 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Township adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Our opinions are not modified with respect to this matter.

Smith + Klayman PC

Saginaw, Michigan

September 19, 2014

Township of Buckeye

Management's Discussion and Analysis

Our discussion and analysis of *Buckeye Township's* financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2014. The Township is required to have an audit of its financial statements every two years. The bi-annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township and present a long-term view of the Township's finances. Fund financial statements report how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of three parts – (1) the management's discussion and analysis (this section), (2) the basic financial statements and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. These statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Township's net position and how they have changed. "Net position" is the difference between the assets and liabilities - this is one way to measure the Township's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Government-wide Statements

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 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 in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Township of Buckeye

Management's Discussion and Analysis

The government-wide financial statements include only the Township itself (known as the *Primary Government*). The Township has no legally separate component units for which the Township is financial accountable.

The government-wide financial statements can be found on pages 9 and 10 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. The Township, like other units of State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Township is accounted for in governmental funds.

The Township also administers an Agency Fund. The Tax Collection Fund is an Agency Fund and is used to account for resources held by the Township in a purely custodial capacity. Activity in this fund represents deposits from current tax and special assessment collections and payments to taxing agencies. At year end, the Tax Collection Fund had no assets or liabilities and is therefore excluded from presentation in the basic financial statements.

Governmental funds ~ *Governmental funds* are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, 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 the fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 Township's near-term financing decisions. Both, the governmental funds balance sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the funds and the government-wide statements.

The Township maintains four (4) governmental funds (the *General Fund*, and the *Fire, Garbage Collection and Mosquito Control Special Revenue Funds*). Information is presented in the balance sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balances for the Township. Each of the Township's funds is reported a major fund for financial reporting purposes.

The Township adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

Township of Buckeye

Management's Discussion and Analysis

The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the funds can be found on pages 23 through 26 of this report.

Notes to the financial statements ~ The notes provide additional information that is essential to a full understanding of the data provided in the Township's financial statements. The notes to the financial statements can be found on pages 15 through 22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and budgetary comparison schedules for the Township's governmental funds.

Financial Highlights

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$249,784 (net position). Of this amount, \$183,444 (unrestricted net position) may be used to meet the Township's ongoing obligations to citizens and creditors. The Township's total net position decreased \$17,912 from the previous year.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$183,444, a decrease of \$26,008 in comparison with the prior year. Of the total governmental fund balance, \$78,235 is available for spending at the Township's discretion (unassigned fund balance); the remaining balance of \$105,209 may only be expended for garbage collection services (\$67,052) and mosquito control (\$38,157).

At the end of the current fiscal year, unassigned fund balance in the General Fund was \$78,235; approximately 43% of the total General Fund expenditures incurred in the current year.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Buckeye Township, assets exceeded liabilities by \$249,784 at the close of the most recent fiscal year.

Approximately 27% of the Township's total net position represents its investment in capital assets (e.g., land, buildings, improvements and equipment), net of accumulated depreciation. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Township of Buckeye

Management's Discussion and Analysis

	<u>Governmental Activities</u>
Current and other assets	\$ 194,783
Capital assets not being depreciated	2,000
Capital assets being depreciated, net	<u>64,340</u>
Total assets	<u>261,123</u>
Liabilities, current	<u>11,339</u>
Net position:	
Invested in capital assets	66,340
Unrestricted	<u>183,444</u>
Total net position	<u><u>\$ 249,784</u></u>

The Township's net position decreased \$17,912 during the current fiscal year. This decrease is consistent with the Township's overall budgeted performance.

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 164,808
Operating grants and contributions	99,120
General revenues:	
Property taxes	34,112
Rent	1,250
Other	<u>2,945</u>
Total revenue	<u>302,235</u>
Expenses:	
General government	84,394
Public safety	34,059
Public works	161,057
Health and welfare	<u>40,637</u>
Total expenses	<u>320,147</u>
Increase (decrease) in net position	(17,912)
Net position, beginning of year	<u>267,696</u>
Net position, end of year	<u><u>\$ 249,784</u></u>

Township of Buckeye

Management's Discussion and Analysis

Governmental Funds

The focus of the 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 spending at the end of the fiscal year.

The General Fund is the operating fund of the Township. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$78,235. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the General Fund total expenditures. Unassigned fund balance represents approximately 43% of the total General Fund expenditures incurred in the current year.

The fund balance of the Township's General Fund decreased \$29,119 during the current fiscal year. This decrease is consistent the Township's overall budgeted performance.

General Fund Budgetary Highlights

Differences between the original and final budgets for expenditures were relatively minor and the adjustments were made as a part of the Township's budget procedures to address changes in activity during the year. Budget to actual comparisons for the Township's General Fund were generally favorable.

Capital Assets

The Township's investment in capital assets for its governmental activities at year-end was \$66,340. This investment in capital assets includes land, buildings, improvements, and furniture & fixtures and was comprised of the following"

Land	\$	2,000
Buildings and improvements		55,341
Land improvements		25,429
Furniture and equipment		8,147
Accumulated depreciation		<u>(24,577)</u>
Total capital assets	\$	<u>66,340</u>

The Township enjoys no long-term debt.

Economic Factors and Next Year's Budgets and Rates

With the State revenue in the situation it is in, the Board has taken the appropriate precautions when it comes to the Township's budget. We took into consideration the fact that State revenue is in a questionable state, when it come to how the Township was going to spend the public's money. There were no major projects put into place for the budget year 2014/15 however there are some small improvements that will be made to the hall and grounds.

Township of Buckeye

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Township Clerk, 2580 W. Highwood Road, Beaverton, MI 48612.

Township of Buckeye

Statement of Net Position

March 31, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 151,789
Due from State	14,152
Taxes receivable	9,044
Special assessments receivable	19,798
Capital assets:	
Land	2,000
Land improvements, net	23,813
Buildings and improvements, net	33,429
Furniture and equipment, net	7,098
Total assets	261,123
Liabilities	
Accounts payable	11,339
Net Position	
Net investment in capital assets	66,340
Unrestricted	183,444
Total net position	\$ 249,784

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

Township of Buckeye

Statement of Activities

For the Year Ended March 31, 2014

Functions / Programs	Expenses	Program Revenue		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 84,394	\$ 14,087	\$ 96,720	\$ 26,413
Public safety	34,059	31,917	-	(2,142)
Public works	161,057	74,140	2,400	(84,517)
Health and welfare	40,637	44,664	-	4,027
Total governmental activities	\$ 320,147	\$ 164,808	\$ 99,120	(56,219)
General Revenues:				
Property taxes levied for general purposes				34,112
Rents and royalties				1,250
Other revenue				2,945
Total general revenues				<u>38,307</u>
Change in net position				(17,912)
Net position				
Beginning of the year				<u>267,696</u>
End of the year				<u><u>\$ 249,784</u></u>

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

Township of Buckeye

Governmental Funds Balance Sheet

March 31, 2014

	Special Revenue Funds				Total
	General Fund	Fire Fund	Garbage Collection Fund	Mosquito Control Fund	
Assets					
Cash and cash equivalents	\$ 61,728	\$ -	\$ 57,610	\$ 32,451	\$ 151,789
Due from state	14,152	-	-	-	14,152
Taxes receivable	3,338	-	-	5,706	9,044
Special assessments receivable	-	4,581	15,217	-	19,798
Total assets	\$ 79,218	\$ 4,581	\$ 72,827	\$ 38,157	\$ 194,783
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 983	\$ 4,581	\$ 5,775	\$ -	\$ 11,339
Fund balances:					
Restricted:					
Garbage collection	-	-	67,052	-	67,052
Mosquito control	-	-	-	38,157	38,157
Unassigned	78,235	-	-	-	78,235
Total fund balances	78,235	-	67,052	38,157	183,444
Total liabilities and fund balances	\$ 79,218	\$ 4,581	\$ 72,827	\$ 38,157	\$ 194,783

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

Township of Buckeye

Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities

March 31, 2014

Total fund balances for governmental funds	\$ 183,444
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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. Those assets consist of:

Add: Land	2,000
Add: Buildings and improvements	55,341
Add: Land improvements	25,429
Add: Furniture and equipment	8,147
Deduct: Accumulated depreciation	<u>(24,577)</u>

Total net position of governmental activities	<u><u>\$ 249,784</u></u>
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The accompanying notes are an integral part of these financial statements.

Township of Buckeye

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended March 31, 2014

	Special Revenue Funds				Total
	General Fund	Fire Fund	Garbage Collection Fund	Mosquito Control Fund	
Revenue					
Property taxes	\$ 26,546	\$ -	\$ -	\$ 44,664	\$ 71,210
Special assessments	-	31,917	74,140	-	106,057
Tax administration fees	14,087	-	-	-	14,087
State revenue sharing	96,720	-	-	-	96,720
Metro Act	2,400	-	-	-	2,400
Land transfer fees	7,566	-	-	-	7,566
Rents and royalties	1,250	-	-	-	1,250
Other revenue	2,945	-	-	-	2,945
Total revenue	151,514	31,917	74,140	44,664	302,235
Expenditures					
General government	92,490	-	-	-	92,490
Public safety	2,142	31,917	-	-	2,142
Public works	86,001	-	75,056	-	86,001
Health and welfare	-	-	-	40,637	40,637
Total expenditures	180,633	31,917	75,056	40,637	221,270
Net change in fund balances	(29,119)	-	(916)	4,027	(26,008)
Fund balances - beginning	107,354	-	67,968	34,130	209,452
Fund balances - ending	\$ 78,235	\$ -	\$ 67,052	\$ 38,157	\$ 183,444

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

Township of Buckeye

Reconciliation of Net Change in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities

For the Year Ended March 31, 2014

Net change in fund balances of governmental funds	\$ (26,008)
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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	10,334
Deduct: Depreciation expense	<u>(2,238)</u>

Change in net position of governmental activities	<u><u>\$ (17,912)</u></u>
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The accompanying notes are an integral part of these financial statements.

Township of Buckeye

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The ***Township of Buckeye*** (the “*Township*”) is a general law township of the State of Michigan, located in Gladwin County. The Township is governed by an elected five-member board and provides services to its residents in areas related to general government, public safety, public works and health and welfare. The accompanying financial statements present the Township’s operations for which the government is considered to be financially accountable. The Township has no component units.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Jointly Governed Organization

The Townships of Buckeye, Gladwin, Grout, Hay, Sage, Sherman and the City of Gladwin formed the Gladwin Rural Urban Fire Protection District to provide fire protection to the entire area of the participating governmental entities. The District is financed each year on a proportional basis for each participating governmental unit based upon their respective state equalized valuation.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the Township. For the most part, the effect of inter-fund activity has been removed from these statements.

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 revenues*.

Separate financial statements are provided for governmental funds. The Township also administers a Tax Collection Agency Fund (the “*Tax Collection Fund*”). The Tax Collection Fund is used to account for resources held by the Township in a purely custodial capacity. Activity in this fund represents deposits from current tax and special assessment collections and payments to taxing agencies. At year-end, the Tax Collection Agency Fund had no assets or liabilities and is therefore, excluded from presentation in the basic financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Township of Buckeye

Notes to Financial Statements

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*. The agency fund does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable and available when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Gladwin County, which advances the Township 100% for the delinquent taxes.

The 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.

The *Fire Fund* accounts for providing fire protection financed by an annual special assessment. The Township decided to present the Fire Fund as a major fund even though it does not meet the major fund criteria established by GASB Statement Number 34, because of its significance to the overall reporting entity.

The *Garbage Collection Fund* accounts for garbage and rubbish collection services to Township residents and is financed by an annual special assessment. The Township decided to present the Garbage Collection Fund as a major fund even though it does not meet the major fund criteria established by GASB Statement Number 34, because of its significance to the overall reporting entity.

The *Mosquito Control Fund* accounts for mosquito control services to Township residents financed by a dedicated millage. The Township decided to present the Mosquito Control Fund as a major fund even though it does not meet the major fund criteria established by GASB Statement Number 34, because of its significance to the overall reporting entity.

Township of Buckeye

Notes to Financial Statements

Amounts reported as *program revenues* include: (1) charges to residents, 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.

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

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets consist of land, buildings, improvements, furniture and equipment and are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The Township has no infrastructure assets.

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

Buildings and improvements	30 - 100 years
Land improvements	25 - 100 years
Furniture and equipment	5 - 10 years

Township of Buckeye

Notes to Financial Statements

Fund Equity

The fund financial statements report the following components of fund balance:

Nonspendable

Amounts that are not in spendable form or are legally or contractually required to be maintained intact are reported as nonspendable fund balance.

Restricted

Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted fund balance.

Committed

Amounts that have been formally set aside by the Township Board for use for specific purposes are reported as committed fund balance. Commitments are made, and can only be rescinded by resolution of the Township Board. None of the Township's fund balance was committed at year-end.

Assigned

Amounts that are constrained by the Township's *intent* to be used for specific purposes, but are neither restricted nor committed are reported as assigned fund balance. The Township Board has not adopted a policy to authorize anyone the authority to assign fund balance on behalf of the Township.

Unassigned

Amounts that have not been restricted, committed or assigned to specific purposes are reported as unassigned fund balance.

When the Township incurs expenditures for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, then committed fund balance, assigned fund balance and finally unassigned fund balance.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Standard

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The Township implemented GASB Statement No. 63 during the year ended March 31, 2014. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. When implementing the new standard it was determined that the

Township of Buckeye

Notes to Financial Statements

Township has no deferred outflows of resources, nor deferred inflows of resources, therefore the only applicable implementation from this standard was to change the term “net assets” to “net position” in the governmental activities financial statements and footnotes.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

Comparisons to budget are presented for general and special revenue fund types as required by generally accepted accounting principles. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution on or before March 31.
- Budgets for the General and Special Revenue Funds are legally adopted on a basis consistent with U.S. GAAP. The budget for the General Fund is adopted by activity. In the Special Revenue Funds, budgets are adopted by total expenditures with revenue adopted as itemized in the report. Expenditures are reported using the administrative detail for informational purposes.
- Adoption and amendments of all budgets used by the Township are governed by Michigan Public Act 621, which was complied with during the year ended March 31, 2008. Any amendment of the original budget must meet the requirements of Public Act 621. The Township amended its budget during the year.
- The legal level of control is at the function level in the General Fund and at the total expenditure level in the Special Revenue Fund.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Encumbered appropriations lapse at year-end and amounts are re-appropriated for expenditures to be incurred in the next fiscal year.

Excess of Expenditures Over Appropriations in Budgetary Funds

During the year, the Township’s General Fund and Garbage and Mosquito Control Special Revenue Funds had expenditures at the activity level (legal level of budgetary control) that were in excess of the amounts appropriated. Revenues and existing fund balance were sufficient to cover all expenditures.

Note 3 - Deposits and Investments

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States

Township of Buckeye

Notes to Financial Statements

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase
- Bankers acceptances of United States banks
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Carrying Amount</u>
Government-wide financial statement captions:	
Cash and cash equivalents	<u>\$ 151,789</u>
Notes to Financial Statements:	
Demand deposits	<u>\$ 151,789</u>

Investment and Deposit Risk

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$162,206 of bank deposits (checking accounts) which were fully insured under FDIC.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investments and was therefore not exposed to custodial credit risk.

Township of Buckeye

Notes to Financial Statements

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. At year-end, the Township had no investments and was therefore not exposed to interest rate risk.

Note 4 - Capital Assets

The Township's capital asset activity for the year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets being depreciated				
Buildings and improvements	53,154	2,187	-	55,341
Land improvements	25,429	-	-	25,429
Furniture and equipment	-	8,147	-	8,147
Subtotal	78,583	10,334	-	88,917
Less accumulated depreciation for				
Buildings and improvements	(21,011)	(901)	-	(21,912)
Land improvements	(1,328)	(288)	-	(1,616)
Furniture and equipment	-	(1,049)	-	(1,049)
Subtotal	(22,339)	(2,238)	-	(24,577)
Net capital assets being depreciated	56,244	8,096	-	64,340
Total	\$ 58,244	\$ 8,096	\$ -	\$ 66,340

Depreciation expense of \$2,238 was charged to the general government activity in the Statement of Activities.

Note 5 - Property Taxes

Township property taxes are attached as an enforceable lien on property as of December 1 and recorded in the Township ledgers as receivables as of that date. Township taxes are levied December 1 and are due without penalty on or before February 14. The December tax bills include the Township's own property taxes, special assessments and taxes billed on behalf of Gladwin County. Property taxes levied in December of each year and collected within sixty days after the fiscal year-end are recognized as revenue in that fiscal year.

Real property and special assessment taxes not collected as of March 1 are turned over to Gladwin County for collection, which advances the Township 100% for those delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

Township of Buckeye

Notes to Financial Statements

The Township acts as a collection agent for Gladwin County, the Intermediate School District and the local public school district for property taxes. Taxes collected on behalf of Gladwin County, the Intermediate School District and the school district are turned over to the districts and the County following collection and are accounted for in the Agency Fund.

Note 6 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.



Township of Buckeye

Budgetary Comparison Schedule

General Fund

For the Year Ended March 31, 2014

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 25,400	\$ 25,400	\$ 26,546	\$ 1,146
Tax administration fees	13,800	13,800	14,087	287
State revenue sharing	98,976	98,976	96,720	(2,256)
Metro act	2,300	2,300	2,400	100
Land transfer fees	7,500	7,500	7,566	66
Rents and royalties	1,275	1,275	1,250	(25)
Miscellaneous	2,225	2,225	2,945	720
Total revenue	<u>151,476</u>	<u>151,476</u>	<u>151,514</u>	<u>38</u>
Expenditures				
General Government:				
Township Board	47,750	47,750	18,589	(29,161)
Supervisor	7,275	7,275	5,998	(1,277)
Treasurer	13,975	13,975	12,080	(1,895)
Assessing	18,750	18,750	13,707	(5,043)
Clerk	11,380	11,380	9,793	(1,587)
Elections	4,025	4,025	1,424	(2,601)
Board of review	1,350	1,350	778	(572)
Buildings and grounds	19,425	19,425	18,462	(963)
Cemetery	1,600	1,600	1,325	(275)
Capital outlay	7,500	7,500	10,334	2,834
Public Safety:				
Fire Board	1,725	1,725	1,485	(240)
Liquor law enforcement	735	735	657	(78)
Public Works:				
Roads and drains	70,993	70,993	86,001	15,008
Total expenditures	<u>206,483</u>	<u>206,483</u>	<u>180,633</u>	<u>(25,850)</u>
Net change in fund balance	(55,007)	(55,007)	(29,119)	25,888
Fund balance - beginning	<u>107,354</u>	<u>107,354</u>	<u>107,354</u>	<u>-</u>
Fund balance - ending	<u>\$ 52,347</u>	<u>\$ 52,347</u>	<u>\$ 78,235</u>	<u>\$ 25,888</u>

Township of Buckeye

Budgetary Comparison Schedule

Fire Fund

For the Year Ended March 31, 2014

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Special assessments	\$ 32,056	\$ 32,056	\$ 31,917	\$ (139)
Expenditures				
Public Safety:				
Fire protection	32,100	32,100	31,917	(183)
Net change in fund balance	(44)	(44)	-	44
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ (44)	\$ (44)	\$ -	\$ 44

Township of Buckeye

Budgetary Comparison Schedule

Garbage Collection Fund

For the Year Ended March 31, 2014

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Special assessments	\$ 74,250	\$ 74,250	\$ 74,140	\$ (110)
Expenditures				
Public Works:				
Garbage and rubbish collection	70,000	70,000	75,056	5,056
Net change in fund balance	4,250	4,250	(916)	(5,166)
Fund balance - beginning	67,968	67,968	67,968	-
Fund balance - ending	<u>\$ 72,218</u>	<u>\$ 72,218</u>	<u>\$ 67,052</u>	<u>\$ (5,166)</u>

Township of Buckeye

Budgetary Comparison Schedule

Mosquito Control Fund

For the Year Ended March 31, 2014

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Property taxes	\$ 40,000	\$ 40,000	\$ 44,664	\$ 4,664
Expenditures				
Health and Welfare:				
Mosquito control	40,000	40,000	40,637	637
Net change in fund balance	-	-	4,027	4,027
Fund balance - beginning	34,130	34,130	34,130	-
Fund balance - ending	<u>\$ 34,130</u>	<u>\$ 34,130</u>	<u>\$ 38,157</u>	<u>\$ 4,027</u>



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA 989-751-1167

ROBERT R. KLACZKIEWICZ, CPA 989-751-3064

A VETERAN OWNED BUSINESS

To the Board of Trustees
Township of Buckeye
Gladwin County, MI

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the ***Township of Buckeye*** 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 the ***Township of Buckeye's*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***Township of Buckeye's*** internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Buckeye's internal control.

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

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

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

Smith + Klacziewicz PC

Saginaw, Michigan
September 19, 2014

Schedule of Control Deficiencies

Item 2014-1 – Preparation of Financial Statements in Accordance with GAAP (*repeated from prior year*)

Criteria: The Township is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Item 2014-2 - Recording, Processing and Summarizing Certain Accounting Data / Audit Adjustments (*repeated from prior year*)

Criteria: The Township is required to have internal controls in place over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records)

Condition: As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the Township has placed reliance on its *external* auditors, who cannot by definition be considered a part of the Township's *internal* controls.

Cause: This condition was caused by the Township's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect: As a result of this condition, the Township lacks internal controls over the recording, processing, and summarizing of certain accounting data, and instead relies, in part, on its external auditors for assistance with this task.

Item 2014-3 **Lack of Segregation of Duties** *(repeated from prior year)*

Criteria: The Township's management is responsible for establishing and maintaining effective internal controls over financial reporting and for safeguarding the Township's assets.

Condition: During the course of our audit, we noted instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls. Specifically, we found that the following incompatible functions are being performed by the same individual:

- (1) The physical receipting of cash and checks is done by an individual who also prepares and makes bank deposits, reconciles the bank statements and has access to the general ledger.
- (2) The individual who prepares checks to pay vendors and employees also has access to the general ledger.
- (3) Journal entries are not reviewed by an independent employee.

Cause: As is the case with many organizations of similar size, the Township lacks a sufficient number of personnel in order to ensure a complete segregation of duties within its accounting function.

Effect: The Township's current system of internal control does not appear to have sufficient safeguards in place to ensure that fraud or abuse is prevented or can be detected in a timely manner. Ideally, no single individual should be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it.