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# **Tobin & Co.**

Kasson Township

Leelanau County, Michigan

Audit Report

For the Year Ended March 31, 2014

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# Tobin & Co.

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**Tobin & Co.**

INTRODUCTORY SECTION

# Tobin & Co.

## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Kasson Township, Leelanau County, for the year ended March 31, 2014 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Kasson Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

The accounting records were maintained in excellent order by the Clerk and Treasurer. All recorded revenues were deposited timely and intact, journals were properly posted, board minutes were maintained in proper order, and supporting documents and follow-up procedures appeared to be in good order. The Clerk maintains a general ledger which meets Uniform Accounting Requirements.

### Budgets and Procedures

The Township prepared and adopted the required budget for its general fund. Two cost centers expenditures exceeded budgeted amounts.

### General Fund

The general fund is presented on Schedule 1. Revenues exceeded expenditures by \$40,493. The fund balance at March 31, 2014 was \$310,187.

### Current Tax Collection Fund

Property taxes collected were distributed to taxing units prior to the end of the fiscal year. We commend the Treasurer for the handling of this function. Receipts were filed in order of payment, bundled by deposit and supported by computer generated documents. Deposits were made approximately weekly and intact. Distributions to taxing units were made on a timely basis during the collection period.

Schedule 3 reflects the amount levied, collected and returned delinquent for the 2013 property tax levy.

### Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, workmen's compensation, errors and omissions, etc. Coverage was reviewed by the Board in the audit year. The Clerk, Treasurer and their deputies and the Supervisor have surety bond coverage.

### Payroll Procedures

Current payroll records and procedures appear to be adequate. Quarterly payroll reports for 2013 agreed with the W-2 totals.

### General Fixed Assets

General fixed assets consist of the cost or acquisition value of the land, infrastructure, furniture and equipment, and the Township Hall. There were no additions or disposals during the year. The Township should periodically review the capitalization policy for fixed assets.

### Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the course of this examination. Your confidence is respected. Please contact us if questions arise or assistance is needed.

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**Tobin & Co.**

FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Kasson Township  
Leelanau County  
Maple City, Michigan 49664

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 9 and 21 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.

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## Tobin & Co.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kasson Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



TOBIN & CO., P.C.  
Certified Public Accountants  
September 4, 2014

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# Tobin & Co.

## KASSON TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township officials of the Kasson Township, Leelanau County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Kasson Township for the fiscal year ended March 31, 2014.

### Financial Highlights

The assets of Kasson Township exceeded its liabilities at the close of the most recent fiscal year by \$320,753. Of this amount, \$310,187 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$310,187, an increase of \$40,493 in comparison with the prior year. The total amount, \$310,187 is available for spending at the Township's discretion.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$310,184, or 130% of total general fund expenditures for the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kasson Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. 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-section business.

The **statement of net position** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

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 a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Kasson Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

#### 2. 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. Kasson 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 Kasson Township are categorized as governmental 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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and 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.



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# **Tobin & Co.**

Kasson Township maintains one governmental fund. 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, which is considered to be a major fund. All Township government activities are included in this fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

## **3. Notes to the Financial Statements**

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

### **General Fund Analysis and Highlights**

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund and the total fund balance was \$310,187. Unassigned fund balance represents 130% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$40,493 during the current fiscal year.

For the most part, increases in non-litigation related expenses closely paralleled inflation and growth in the demand for services.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$10,566. This investment in capital assets includes: two parcels of land and the Township Hall. Our government fund reports capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives in the government-wide financial statements. This fiscal year there were no capital outlays, and depreciation amounted to \$538.

#### **Cash Assets**

At the end of the current fiscal year, the Township had \$273,979 in cash and other spendable assets. All of this amount was held in interest bearing bank accounts. The Township is limited by State law in how it can invest these funds, and we have made no changes in our investment strategy in several years.

#### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

#### **Pension Plan**

Township officials have the option of having the Township pay Social Security payments or to join our pension plan. The Township makes contributions equal to approximately 7.5 % of each participating employee's compensation. This is an expensed item in the budget and totaled \$2,679 for the fiscal year. The Township provides no other employee benefits.

#### **Requests for Information**

This financial report is designed to provide a general overview of Kasson 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 requests for additional financial information should be addressed to Ms. Traci Cruz, Clerk, Kasson Township, P. O. Box 62, Maple City, MI 49664-0062.

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# Tobin & Co.

Kasson Township  
Statement of Net Position  
March 31, 2014

	<u>Primary Government</u> Governmental Activities <u>And Total</u>
Assets	
Cash	\$ 273,353
Accounts Receivable	27,404
Taxes Receivable	9,430
Capital Assets	
Land	501
Other Capital Assets, Net of Depreciation	<u>10,065</u>
Total Assets	<u>320,753</u>
Liabilities – Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Invested in Capital Assets, net of related debt	10,566
Unassigned	<u>310,187</u>
Total Net Position	<u>\$ 320,753</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Kasson Township Statement of Activities March 31, 2014

Functions/Programs	Program Revenues			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities:				
Legislative	\$ 63,816	\$ -	\$ -	\$ (63,816)
General Government	75,154	17,012	-	(58,142)
Public Safety	93,201	1,685	-	(91,516)
Public Works	3,214	-	-	(3,214)
Recreation and Culture	<u>2,887</u>	<u>-</u>	<u>-</u>	<u>(2,887)</u>
Total Governmental Activities	<u>\$ 238,272</u>	<u>\$ 18,697</u>	<u>\$ -</u>	<u>(219,575)</u>
General Revenues:				
Property Taxes				133,025
State Shared Revenues				124,481
Unrestricted Investment Earnings				635
Miscellaneous				<u>1,389</u>
Total General Revenues				259,530
Change in Net Position				39,955
Net Position – Beginning				<u>280,798</u>
Net Position – Ending				<u>\$ 320,753</u>

See Accompanying Notes to Basic Financial Statements

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Kasson Township  
Balance Sheet  
Governmental Funds  
March 31, 2014

Assets

Cash in Bank	\$ 273,353
Accounts Receivable	27,404
Taxes Receivable	<u>9,430</u>
Total Assets	<u>310,187</u>

Liabilities and Fund Balances

Liabilities:

Payables	<u>-</u>
Total Liabilities	<u>-</u>

Fund Balances:

Unassigned	<u>310,187</u>
Total Fund Balances	310,187

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

Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>10,566</u>
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Net position of governmental activities. \$ 320,753

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

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

	General Fund
Revenues	
Taxes	\$ 133,025
Licenses and Permits	1,685
State Grants	124,481
Charges for Services	17,012
Interest and Rents	635
Other	<u>1,389</u>
Total	<u>278,227</u>
Expenditures	
Legislative	63,816
General Government	59,628
Public Safety	93,201
Public Works	3,214
Recreation and Culture	2,887
Other	14,988
Capital Outlay	<u>-</u>
Total	<u>237,734</u>
Excess Revenues (Expenditures) and net change in fund balances	40,493
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 and amortization expense. This is the amount by which depreciation and amortization exceeded capital outlay in the current year.	<u>(538)</u>
Change in Net Position of Governmental Activities.	<u>\$ 39,955</u>

See Accompanying Notes to Basic Financial Statements

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# Tobin & Co.

Kasson Township  
Statement of Fiduciary Net Position  
March 31, 2014

Assets	Agency Funds
Cash and Investments	\$ 626
Total Assets	626
Liabilities	
Undistributed Taxes and Interest	626
Total Liabilities	626
Net Position	\$ -

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

Kasson Township  
Notes to Financial Statements  
March 31, 2014

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Kasson Township is a general law township located in Leelanau County. Population as of the 2010 census was 1,609, and the current state equalized valuation for taxable property is \$120,786,700 and the taxable valuation is \$89,458,588.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

### B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

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

#### Fund Financial Statements:

The Township has one major fund which is the general fund.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

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

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Tobin & Co.

Kasson Township  
Notes to Financial Statements  
March 31, 2014

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual is property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### D. Budgets

The General Fund and any special revenue funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$500 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	10 – 20 years
Buildings	25 – 40 years
Building Improvements	5 – 10 years
Furniture and Fixtures	3 – 10 years
Office Equipment	5 years



# Tobin & Co.

## Kasson Township Notes to Financial Statements March 31, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$120,786,700	\$ 89,458,588	.6662

#### G. Investments

There were no investments at March 31, 2014.

#### H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

#### I. Fund Equity

Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the Township Board. The Township Board is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Township Board.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. All such assignments can be made only with unanimous approval of all committed members.

*Unassigned* – all other spendable amounts.

# Tobin & Co.

## Kasson Township Notes to Financial Statements March 31, 2014

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. Fund Equity (Continued)

As of March 31, 2014, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Unassigned	\$ 310,187	\$ -	\$ 310,187
Total Fund Balances	\$ 310,187	\$ -	\$ 310,187

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Township Board has provided otherwise in its commitment or assignment actions.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. There were no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2014.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2014, two cost centers expenditures exceeded their budgets.

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Kasson Township Notes to Financial Statements March 31, 2014

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In 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 local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$278,310 deposited with a local bank at March 31, 2014 with a carrying value of \$273,979. Interpreting the FDIC insurance coverage of \$250,000 of demand deposits and \$250,000 of time deposits per depository, the Township had no uninsured deposits at March 31, 2014.

### NOTE 4 - ACCOUNTS/TAXES RECEIVABLE

The \$9,430 in delinquent taxes receivable represents 2013 property taxes returned delinquent to the County Treasurer for collection as of March 1, 2014. \$27,404 of accounts receivable represents state shared revenues receivable.

### NOTE 5 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/14</u>
Land	\$ 501	\$ -	\$ -	\$ 501
Buildings and Improvements	17,070	-	-	17,070
Infrastructure	7,230	-	-	7,230
Furniture and Equipment	<u>7,380</u>	<u>-</u>	<u>-</u>	<u>7,380</u>
	32,181	-	-	32,181
Less Accumulated Depreciation	<u>(21,077)</u>	<u>(538)</u>	<u>-</u>	<u>(21,615)</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,104</u>	<u>\$ (538)</u>	<u>\$ -</u>	<u>\$ 10,566</u>

### NOTE 6 - LONG-TERM DEBT

The Township has no long-term debt at March 31, 2014, and no borrowing is anticipated in the near future.

### NOTE 7 - LOANS AND TRANSFERS BETWEEN FUNDS

There were no inter-fund loans, advances or transfers during the audit year.

### NOTE 8 - INVENTORIES

Kasson Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

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# **Tobin & Co.**

## **Kasson Township Notes to Financial Statements March 31, 2014**

### **NOTE 9 - RETIREMENT PLAN**

The Township participates in a defined contribution pension plan for Township officials through John Hancock Life Insurance. By Board resolution, the Township pays 75% and participants pay 25% of the annual contribution. The plan covers all elected officials. The Township clerk is the plan administrator. Township costs for the year were \$2,679. All administrative costs are paid by the Township. Covered payroll was \$35,720 for the 2013-2014 plan year out of a total payroll of \$65,051.

### **NOTE 10 - CONTINGENT LIABILITIES**

Township officials are aware of no contingent liabilities of the Township.

### **NOTE 11- COMPENSATED ABSENCES**

The Township does not provide for the payment to employees for sick leave, accumulated leave, etc.

### **NOTE 12- 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; injuries to employees; and natural disasters. During the year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 13- SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the Township officials have evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to March 31, 2014 through September 4, 2014, the date these financial statements were available to be issued. No such significant events or transactions were identified.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Kasson Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2014

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Property Taxes	\$ 115,000	\$ 115,000	\$ 117,536	\$ 2,536
Delinquent Property Taxes	5,065	-	9,430	9,430
Other Taxes	2,000	2,000	6,059	4,059
Licenses and Permits	2,500	2,500	1,685	(815)
State Grants:				
State Shared Revenues	115,000	115,000	119,478	4,478
Metro Act	5,000	5,000	5,003	3
Charges for Services:				
Landfill Impact Fees	15,000	15,000	14,779	(221)
Other	1,500	1,500	2,233	733
Interest and Rents:				
Interest Earned	400	400	555	155
Rents and Royalties	300	300	80	(220)
Other:				
Donations	500	500	-	(500)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,389</u>	<u>389</u>
Total Revenues	<u>263,265</u>	<u>258,200</u>	<u>278,227</u>	<u>20,027</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	3,360	-
Attorney Fees	-	-	53,307	-
Association Dues	-	-	1,917	-
Printing and Publishing	-	-	4,295	-
Supplies and Miscellaneous	<u>-</u>	<u>-</u>	<u>937</u>	<u>-</u>
Total	<u>44,900</u>	<u>59,274</u>	<u>63,816</u>	<u>(4,542)</u>
Total Legislative	<u>44,900</u>	<u>59,274</u>	<u>63,816</u>	<u>(4,542)</u>
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	8,500	-
Supplies and Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>8,600</u>	<u>8,600</u>	<u>8,500</u>	<u>100</u>
Elections:				
Salaries and Wages	-	-	-	-
Supplies and Miscellaneous	<u>-</u>	<u>-</u>	<u>90</u>	<u>-</u>
Total	<u>5,500</u>	<u>500</u>	<u>90</u>	<u>410</u>

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

# Tobin & Co.

Kasson Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2014

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Assessor:				
Salaries and Wages	-	-	13,567	-
Supplies and Miscellaneous	-	-	1,301	-
Total	17,100	16,200	14,868	1,332
Clerk:				
Salaries and Wages	-	-	13,120	-
Supplies and Miscellaneous	-	-	424	-
Total	14,300	14,300	13,544	756
Board of Review:				
Salaries and Wages	-	-	675	-
Printing and Publishing	-	-	236	-
Total	1,400	1,400	911	489
Treasurer:				
Salaries and Wages	-	-	12,800	-
Supplies and Miscellaneous	-	-	1,919	-
Total	15,500	15,500	14,719	781
Township Hall and Grounds:				
Contract Labor	-	-	146	-
Supplies and Miscellaneous	-	-	1,425	-
Public Utilities	-	-	3,352	-
Total	5,500	5,500	4,923	577
Cemetery:				
Contract Labor	-	-	2,073	-
Total	2,400	2,400	2,073	327
Total General Government	70,300	64,400	59,628	4,772

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

# Tobin & Co.

Kasson Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2014

Schedule 1  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
Public Safety:				
Fire and Ambulance:				
Contractual Services	-	-	76,750	-
Total	85,000	85,000	76,750	8,250
Planning and Zoning:				
Salaries and Wages	-	-	13,029	-
Supplies and Miscellaneous	-	-	482	-
Printing and Advertising	-	-	672	-
Legal Fees	-	-	2,268	-
Total	19,500	19,500	16,451	3,049
Total Public Safety	104,500	104,500	93,201	11,299
Public Works:				
Traffic and Street Lights	4,000	4,000	3,214	786
Total Public Works	4,000	4,000	3,214	786
Recreation and Culture:				
Parks	3,000	3,000	2,887	113
Total Recreation and Culture	3,000	3,000	2,887	113
Other:				
Insurance and Bonds	5,500	5,500	5,271	229
Social Security and Medicare	3,000	3,500	6,811	(3,311)
Contingency and Miscellaneous	2,000	2,000	227	1,773
Pension Program Expense	3,300	4,000	2,679	1,321
Total Other	13,800	15,000	14,988	12
Capital Outlay	10,000	-	-	-
Total Expenditures	250,500	250,174	237,734	12,440
Excess Revenues (Expenditures)	\$ 12,765	\$ 8,026	40,493	\$ 32,467
Fund Balance – Beginning of Year			269,694	
Fund Balance – End of Year			\$ 310,187	

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



# Tobin & Co.

Kasson Township  
Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended March 31, 2014

Schedule 2

	<u>Balance</u> <u>3/31/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/14</u>
<u>Assets</u>				
Cash	\$ 1,057	\$ 1,843,552	\$ 1,843,983	\$ 626
Total Assets	\$ 1,057	\$ 1,843,552	\$ 1,843,983	\$ 626
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 1,057	\$ 1,843,552	\$ 1,843,983	\$ 626
Total Liabilities	\$ 1,057	\$ 1,843,552	\$ 1,843,983	\$ 626

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

# Tobin & Co.

## Kasson Township 2013 Property Tax Levy and Collections For the Year Ended March 31, 2014

Schedule 3

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	3.5958	\$ 315,933	\$ 305,510	\$ 10,423
County Seniors	0.2750	24,542	22,917	1,625
County Roads	0.5000	44,629	41,673	2,956
County BATA	0.3454	30,826	28,785	2,041
School District Tax				
Operating	15.0696	479,471	442,966	36,505
Debt	1.1500	107,115	100,022	7,093
Library	0.1904	16,990	15,865	1,125
Intermediate School District – TBA	2.9312	261,650	244,324	17,326
State Education Tax	6.0000	523,316	505,645	17,671
Township Taxes:				
General	0.6662	59,462	55,524	3,938
Fire	0.7452	66,514	62,110	4,404
Recycling		<u>19,926</u>	<u>18,211</u>	<u>1,715</u>
Total		<u>\$ 1,950,374</u>	<u>\$ 1,843,552</u>	<u>\$ 106,822</u>
State Equalized Value		\$120,786,700		
Taxable Value		\$ 89,458,588		
Percent of Levy Collected		94.52%		

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

# Tobin & Co.

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

To Kasson Township  
Leelanau County  
Maple City, Michigan

September 4, 2014

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kasson 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, *Government 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 February 12, 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. The significant accounting policies used by Kasson Township are described in Note 1 to the financial statements. Starting in 2013-2014, the Township has implemented GASB 63 and GASB 65, new standards that rename, redefine, and clarify components of net position. 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 Kasson Township's financial statements was:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. 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.

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## **Tobin & Co.**

### *Difficulties Encountered in Performing the Audit*

We encountered no significant 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 misstatements. There were no material misstatements detected as a result of our audit procedures.

### *Disagreements with Management*

For purposed 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 September 4, 2014.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit'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*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

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# **Tobin & Co.**

## Methods of Strengthening Internal Control

As is common in small and medium sized townships, it is not cost effective to segregate all duties of the township board. As a low cost method of strengthening internal controls, we recommend that the Township consider having a trustee review and initial each bank reconciliation prepared by the treasurer, as well as each page of the statements itself, and each adjusting journal entry prepared by the clerk.

## Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

## *Other Matters*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for use of the Township Board of Kasson Township and is not intended to be, and should not be, used by anyone other than these specified parties.



TOBIN & CO., P.C.

# Tobin & Co.

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

September 4, 2014

To Kasson Township  
Leelanau County  
Maple city, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leland Township as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise Kasson Township's basic financial statements and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kasson Township, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kasson Township, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of Kasson Township, Michigan's internal control.

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

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## **Tobin & Co.**

### **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 duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

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 and corrected 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.

Corrective Action Plan: With the status of state funding, the Township is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The Township will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

### **2) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements***

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government'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 related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the

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## Tobin & Co.

government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot be definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its 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 government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Corrective Action Plan: The government will continue to rely on its outside auditors to assist in preparing the GAAP basis financial statements and will evaluate annually for the need to change.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Kasson Township in a separate letter dated September 4, 2014.

### Kasson Township, Michigan's Response to Findings

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



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## Tobin & Co.

### Purpose of this Report

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

*Tobin & Co., P.C.*

TOBIN & CO., P.C.