

Benona Township  
Oceana County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2014

Benona Township  
**LIST OF ELECTED OFFICIALS**  
March 31, 2014

Supervisor .....Steve Fleming  
Clerk..... Margie Shaw  
Treasurer .....Pamela Czurak  
Trustee ..... Bart Burmeister  
Trustee .....John Smith

Benona Township

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As management of Benona Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

**FINANCIAL HIGHLIGHTS**

- At the close of the fiscal year, the Township had total assets of \$605,629 and total liabilities of \$12,896 leaving net position of \$592,733, an increase of 9.3% in the Township's overall net position from the prior year.
- The General Fund fund balance increased \$66,253.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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 fiscal year. All changes in net position are reported when the 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 the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development, and culture and recreation activities. The Township does not currently have any business-type activities.

**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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Library Fund, which are considered to be major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

**Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund, Fire Fund, and Library Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide Statement of Net Position for the Township. As stated earlier, net position may be used as an indicator of a government's financial health. As of March 31, 2014, the Township's net position from governmental activities totaled \$592,733.

The increase in current assets mirrors the increase in unrestricted net position as there were no major capital additions or significant road projects this year. Depreciation on capital assets exceeded current year capital asset purchases causing a decrease in capital assets.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$434,755. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Position**

	Governmental Activities	
	2014	2013
Current assets	\$ 457,883	\$ 387,909
Capital assets	147,746	166,324
Total assets	605,629	554,233
Current liabilities	12,896	11,830
Net position		
Net investment in capital assets	147,746	166,324
Restricted	10,232	7,577
Unrestricted	434,755	368,502
Total net position	\$ 592,733	\$ 542,403

**Governmental Activities**

Governmental activities net position increased by \$50,330 (9.3%) during the 2014 fiscal year. Revenues were relatively consistent with the prior year. Expenses were relatively consistent with the prior year other than public works which decreased by \$86,359 as the Township participated with the Oceana County Road Commission on the repaving of portions Shelby Road in the previous year. The following table depicts these occurrences.

**Change in Net Position**

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues		
Charges for services	\$ 10,490	\$ 7,350
General revenues		
Property taxes	376,552	371,936
Grants and contributions not restricted	109,957	107,589
Unrestricted investment earning	720	703
Miscellaneous	15,983	12,349
Total revenues	513,702	499,927
Expenses:		
General government	139,875	137,378
Public safety	119,288	118,054
Public works	118,494	204,853
Community and economic development	15,870	14,362
Culture and recreation	69,845	61,713
Total expenses	463,372	536,360
Change in net position	50,330	(36,433)
Net position - Beginning	542,403	578,836
Net position - Ending	\$ 592,733	\$ 542,403

**Financial Analysis of the Government's Funds**

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2014 fiscal year, the Township's governmental funds reported a combined unassigned fund balance of \$356,555, all of which is in the General Fund. The remainder of the fund balance is restricted for the Township's boat ramp or committed for capital projects or the subsequent year budget.

The General Fund is the chief operating fund of the Township. The General Fund fund balance is \$434,755, an increase of \$66,253 from the prior fiscal year. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 123% of the General Fund's expenditures.

The fund balance in the General Fund increased by \$66,253 which is fairly similar to the overall increase in government-wide net position which was due to fewer road projects than in the previous year.

### **General Fund Budget**

During the current fiscal year, the Township only made a couple of minor amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Property tax revenues were over budget by \$49,914 as the Township inadvertently did not budget for property tax administrative fees.
- Other revenues were over budget by \$9,983 as the Township did not budget for resident participation in a small road improvement project.
- Township hall and grounds expenditures were under budget by \$29,402 as the Township budgeted \$25,000 for future improvements to the Township hall which did not occur in the current year.
- Roads expenditures were under budget by \$51,989 as the projects that the Township was participating in with the Oceana Road Commission were delayed due to weather and other factors.



**Capital Assets**

The Township investment in capital assets for its governmental activities as of March 31, 2014 totaled \$147,746 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

The only significant capital asset addition during the current year was some new computers.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2014	2013
Land	\$ 33,107	\$ 33,107
Land improvements	70,804	80,385
Buildings and improvements	31,119	33,089
Furniture and equipment	12,716	19,743
Total	<u>\$ 147,746</u>	<u>\$ 166,324</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

**General Economic Overview**

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 93% of the General Fund's revenue sources. In fiscal 2015, the Township expects property taxes revenue sharing to remain flat.

The Township expects General Fund operating expenditures in fiscal 2015 to be approximately the same as fiscal 2014 with a couple of exceptions. The Township has no significant improvement plans for roads in the upcoming fiscal year other than the completion of the Grant Road project and usual maintenance and repairs. The only capital activity that the Township expects to incur in fiscal 2015 is the purchase of property adjoining the Township hall for \$6,200. The Township intends to tear-down a small building on this parcel and is considering placing a Township park on the location. The Township is also exploring an addition to the Township hall and has assigned \$75,000 for this potential project. Currently the Township is researching what this addition might encompass but does not have a final plan. The addition would not likely occur in the upcoming fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of Benona Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Benona Township, 7169 West Baker Road, Shelby, Michigan 49455, or (231) 861-2154.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

May 27, 2014

To the Township Board  
Benona Township  
Shelby, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benona Township, 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.

### Auditors' 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 auditors' 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.

Township Board  
Benona Township  
May 27, 2014  
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## 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 Benona Township, 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 and budgetary comparison schedules on pages i through vi and 19 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Brickley De Long, P.C.*

Hart, Michigan

Benona Township  
**STATEMENT OF NET POSITION**  
 March 31, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 414,337
Receivables	27,998
Due from other governmental units	<u>15,548</u>
Total current assets	457,883
Noncurrent assets	
Capital assets, net	
Nondepreciable	33,107
Depreciable	<u>114,639</u>
Total noncurrent assets	<u>147,746</u>
Total assets	605,629
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	937
Due to other governmental units	<u>11,959</u>
Total liabilities	<u>12,896</u>
<b>NET POSITION</b>	
Net investment in capital assets	147,746
Restricted for boat ramp	10,232
Unrestricted	<u>434,755</u>
Total net position	<u><u>\$ 592,733</u></u>

The accompanying notes are an integral part of this statement.

Benona Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2014

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenue Charges for Services</u></b>	<b><u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u></b>
Governmental activities			
General government	\$ 139,875	\$ 7,175	\$ (132,700)
Public safety	119,288	-	(119,288)
Public works	118,494	-	(118,494)
Community and economic development	15,870	-	(15,870)
Culture and recreation	69,845	3,315	(66,530)
Total governmental activities	<b>\$ 463,372</b>	<b>\$ 10,490</b>	(452,882)
General revenues			
Property taxes, levied for			
General purposes			221,814
Specific purposes			154,738
Grants and contributions not restricted to specific programs			109,957
Unrestricted investment earnings			720
Miscellaneous			15,983
Total general revenues			<b>503,212</b>
Change in net position			50,330
Net position at April 1, 2013			<b>542,403</b>
Net position at March 31, 2014			<b>\$ 592,733</b>

The accompanying notes are an integral part of this statement.

Benona Township  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2014

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Library Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 404,105	\$ -	\$ -	\$ 10,232	\$ 414,337
Property taxes receivable	16,039	9,219	2,740	-	27,998
Due from other governmental units	15,548	-	-	-	15,548
Total assets	<b>\$ 435,692</b>	<b>\$ 9,219</b>	<b>\$ 2,740</b>	<b>\$ 10,232</b>	<b>\$ 457,883</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 937	\$ -	\$ -	\$ -	\$ 937
Due to other governmental units	-	9,219	2,740	-	11,959
Total liabilities	937	9,219	2,740	-	12,896
<b>FUND BALANCES</b>					
Restricted for boat ramp	-	-	-	10,232	10,232
Assigned					
Capital projects	75,000	-	-	-	75,000
Subsequent year's budget appropriation	3,200	-	-	-	3,200
Unassigned	356,555	-	-	-	356,555
Total fund balances	434,755	-	-	10,232	444,987
Total liabilities and fund balances	<b>\$ 435,692</b>	<b>\$ 9,219</b>	<b>\$ 2,740</b>	<b>\$ 10,232</b>	<b>\$ 457,883</b>

The accompanying notes are an integral part of this statement.

Benona Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**  
March 31, 2014

Total fund balances—governmental funds	\$ 444,987
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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 current financial  
resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$ 388,896	
Accumulated depreciation	<u>(241,150)</u>	<u>147,746</u>
Net position of governmental activities		<u><u>\$ 592,733</u></u>

The accompanying notes are an integral part of this statement.

Benona Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2014

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Library Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Fund</b>
<b>REVENUES</b>					
Property taxes	\$ 221,814	\$ 119,288	\$ 35,450	\$ -	\$ 376,552
Licenses and permits	3,875	-	-	3,315	7,190
Intergovernmental revenues - State	109,957	-	-	-	109,957
Charges for services	3,300	-	-	-	3,300
Investment earnings	720	-	-	-	720
Other	15,983	-	-	-	15,983
Total revenues	355,649	119,288	35,450	3,315	513,702
<b>EXPENDITURES</b>					
Current					
General government	132,562	-	-	-	132,562
Public safety	-	119,288	-	-	119,288
Public works	118,011	-	-	-	118,011
Community and economic development	17,008	-	-	-	17,008
Culture and recreation	21,815	-	35,450	660	57,925
Total expenditures	289,396	119,288	35,450	660	444,794
Net change in fund balances	66,253	-	-	2,655	68,908
Fund balances at April 1, 2013	368,502	-	-	7,577	376,079
Fund balances at March 31, 2014	<b>\$ 434,755</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,232</b>	<b>\$ 444,987</b>

The accompanying notes are an integral part of this statement.



Benona Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2014

Net change in fund balances—total governmental funds	\$ 68,908
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report outlays for capital assets as expenditures. However,  
in the Statement of Activities, the cost of these assets is allocated over their  
estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (20,775)	
Capital outlay	<u>2,197</u>	<u>(18,578)</u>
Change in net position of governmental activities		<u><u>\$ 50,330</u></u>

The accompanying notes are an integral part of this statement.

Benona Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	<u><u>\$        32,412</u></u>
<b>LIABILITIES</b>	
Due to other governmental units	<u><u>\$        32,412</u></u>

The accompanying notes are an integral part of this statement.

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Benona Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

The Township is a municipal corporation governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

**Basis of Presentation—Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

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

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

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

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 property taxes collected by the Township and distributed to the Shelby Benona Fire District to provide fire and rescue services to its member units.

The Library Fund accounts for property taxes collected by the Township and distributed to the Shelby Area District Library to provide library services to its member units.

The Township only has one other governmental fund, the Boat Ramp Fund.

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

Additionally, the Township reports the following fund type:

The Agency Funds are custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

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

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

**Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Measurement Focus and Basis of Accounting—Continued**

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

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

***Cash and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property and equipment, 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 \$500 and an estimated useful life in excess of one year.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation.

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Capital Assets—Continued***

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvement	15
Buildings and improvements	15-50
Furniture and equipment	5-10

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

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Net Position Flow Assumption***

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

***Fund Balance Flow Assumptions***

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

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Fund Balance Policies***

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

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

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

**Revenues and Expenditures/Expenses**

***Program Revenues***

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

***Property Taxes***

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2013 state taxable value for real/personal property of the Township totaled approximately \$142,250,000. The ad valorem taxes levied consisted of 1.1901 mills for operations, .8411 mills for fire protection, and .25 mills for library services. These amounts are recognized in the General Fund, Fire Fund and Library Fund, respectively.

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Deposit and Investment Risks**

***Interest Rate Risk***

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk***

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, the Township's bank balances were fully insured and collateralized.

***Custodial Credit Risk - Investments***

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, 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.

***Foreign Currency Risk***

The Township is not authorized to invest in investments which have this type of risk.



Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2014 was as follows:

	<b>Balance April 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance March 31, 2014</b>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 33,107	\$ -	\$ -	\$ 33,107
<b>Capital assets, being depreciated:</b>				
Land improvements	200,422	-	-	200,422
Buildings and improvements	74,278	-	-	74,278
Furniture and equipment	94,078	2,197	15,186	81,089
Total capital assets, being depreciated	368,778	2,197	15,186	355,789
<b>Less accumulated depreciation:</b>				
Land improvements	120,037	9,581	-	129,618
Buildings and improvements	41,189	1,970	-	43,159
Furniture and equipment	74,335	9,224	15,186	68,373
Total accumulated depreciation	235,561	20,775	15,186	241,150
Total capital assets, being depreciated, net	133,217	(18,578)	-	114,639
Capital assets, net	<b>\$ 166,324</b>	<b>\$ (18,578)</b>	<b>\$ -</b>	<b>\$ 147,746</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

<b>Government activities:</b>	
General government	\$ 8,373
Public works	483
Culture and recreation	11,919
	<b>\$ 20,775</b>

Benona Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2014

**NOTE E—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**Joint Ventures**

The Township is a member of the Shelby Benona Fire District (District), which was organized to provide fire protection and rescue services for its member units. It is a joint venture of three governmental units governed by a district board composed of representatives from each of the respective member units. The District is financed through a special millage. In the current year, the Township paid \$119,288 to the District for fire and rescue service from this millage. The Township does not report an equity interest in this joint venture in these financial statements because the Township does not have an explicit and measurable right to the joint venture's resources. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial information based on the December 31, 2011 audit report of the District was as follows:

Total assets	\$ 270,636
Total liabilities	<u>21,884</u>
Fund balance	<u><u>\$ 248,752</u></u>
Operating revenues	\$ 211,281
Operating expenditures	<u>157,054</u>
Revenues in excess of expenditures	<u><u>\$ 54,227</u></u>

Complete financial statements can be obtained at Shelby Benona Fire District, PO Box 56, Shelby, MI 49455.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Benona Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2014

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 171,900	\$ 171,900	\$ 221,814	\$ 49,914
Licenses and permits	2,500	2,500	3,875	1,375
Intergovernmental revenues - State	112,000	112,000	109,957	(2,043)
Charges for services	1,800	1,800	3,300	1,500
Investment earnings	1,000	1,000	720	(280)
Other	6,000	6,000	15,983	9,983
Total revenues	295,200	295,200	355,649	60,449
<b>EXPENDITURES</b>				
Current				
General government				
Township board	22,800	22,800	20,234	2,566
Supervisor	12,500	12,600	11,437	1,163
Board of review	1,700	2,300	2,189	111
Elections	1,000	1,000	555	445
Clerk	21,800	21,900	21,251	649
Treasurer	26,600	26,700	24,402	2,298
Assessor	39,600	39,700	34,681	5,019
Township hall and grounds	42,000	42,000	12,598	29,402
Cemetery	8,800	8,900	5,215	3,685
Public works				
Roads	170,000	170,000	118,011	51,989
Community and economic development				
Planning	3,300	3,300	3,107	193
Zoning	13,100	14,200	13,901	299
Culture and recreation				
Parks	23,800	23,700	21,815	1,885
Total expenditures	387,000	389,100	289,396	99,704
Net change in fund balance	<b>\$ (91,800)</b>	<b>\$ (93,900)</b>	66,253	<b>\$ 160,153</b>
Fund balance at April 1, 2013			368,502	
Fund balance at March 31, 2014			<b>\$ 434,755</b>	

Benona Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Fire Fund  
For the year ended March 31, 2014

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>(Negative)</u></b>
<b>REVENUES</b>				
Property taxes	\$ 121,491	\$ 121,000	\$ 119,288	\$ (1,712)
<b>EXPENDITURES</b>				
Current				
Public safety	121,491	121,000	119,288	1,712
Net change in fund balance	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	-	<b><u>\$ -</u></b>
Fund balance at April 1, 2013			<u>-</u>	
Fund balance at March 31, 2014			<b><u>\$ -</u></b>	

Benona Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Library Fund  
For the year ended March 31, 2014

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget- Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>(Negative)</u></b>
<b>REVENUES</b>				
Property taxes	\$ 36,110	\$ 35,970	\$ 35,450	\$ (520)
<b>EXPENDITURES</b>				
Current				
Culture and recreation	36,110	35,970	35,450	520
Net change in fund balance	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	-	<b><u>\$ -</u></b>
Fund balance at April 1, 2013			<u>-</u>	
Fund balance at March 31, 2014			<b><u>\$ -</u></b>	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2014

Township Board  
Benona Township  
Shelby, Michigan

In planning and performing our audit of the financial statements of Benona Township as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Benona Township'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a certain deficiency in internal control that we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the attached deficiency in Benona Township's internal control to be a significant deficiency.

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

*Brickley De Long, P.C.*

## **SIGNIFICANT DEFICIENCY**

Recommendation 1: The internal controls surrounding the preparation of formal year-end financial statements.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

The Organization should review its procedures surrounding the preparation of year-end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year-end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2014

To the Township Board  
Benona Township

We have audited the financial statements of Benona Township for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you during our conference on April 22, 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 Benona Township are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the entity 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 Benona Township's financial statements was:

Management's estimate of the depreciation expense is based on useful lives of fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

BRICKLEY DELONG

Township Board  
Benona Township  
May 27, 2014  
Page 2

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 May 27, 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 entity 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 entity auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Sincerely,

*Brickley De Long, P.C.*