

TOWNSHIP OF HOPKINS, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Hopkins, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Hopkins, Michigan (the "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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, the general fund, and the aggregate remaining fund information of the Township of Hopkins, 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 information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Township of Hopkins, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Hopkins, Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed company name.

Gabridge & Company, PLC
Grand Rapids, Michigan
September 30, 2014

Management's Discussion and Analysis

As management of the Township of Hopkins, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$2,171,132 (net position). Of this amount, \$1,261,049 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,765,882, an increase of \$159,781 in comparison with the prior year. Approximately 71% of this amount (\$1,256,264) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,256,264, or approximately 354% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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, roads, and culture and recreation. The township does not have any business-type activities.

The government-wide financial statements can be found on pages 14 - 15 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one individual governmental fund, its general 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.

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

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

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

The basic fiduciary fund financial statement can be found on page 20 of this report.

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

The notes to the financial statements can be found on pages 21 – 30 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules.

Required supplementary information can be found on page 32 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$2,171,132, at the close of the most recent fiscal year.

Township of Hopkins Statement of Net Position as of March 31, 2014 and March 31, 2012

	Governmental Activities	
	2014	2012
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 1,655,857	\$ 1,223,635
Due from State	21,542	22,891
Due from Other Units	113,510	143,358
Prepaid Expenses	4,785	5,351
Total Current Assets	1,795,694	1,395,235
<i>Noncurrent Assets</i>		
Capital Assets, Net	405,250	492,193
Total Assets	2,200,944	1,887,428
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	12,069	4,325
Payroll Liabilities	7,743	5,926
Security Deposit Payable	10,000	10,000
Total Current Liabilities	29,812	20,251
Total Liabilities	29,812	20,251
NET POSITION		
Net Investment in Capital Assets	405,250	492,193
Restricted	504,833	291,548
Unrestricted	1,261,049	1,083,436
Total Net Position	\$ 2,171,132	\$ 1,867,177

A significant portion of the Township's net position (\$405,250, or 19%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$504,833, or 23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,261,049, or 58%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$116,308 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

Township of Hopkins
Change in Net Position for Fiscal Years Ended
March 31, 2014 and March 31, 2012

	Governmental	
	Activities	
	2014	2012
Revenue		
Program Revenues		
Charges for Services	\$ 59,166	\$ 37,970
Operating Grants and Contributions	3,622	3,466
<i>Total Program Revenues</i>	62,788	41,436
General Revenues		
Taxes	266,442	271,882
State Revenue Sharing	147,225	139,053
Interest Income	6,032	6,747
Other	32,529	19,723
<i>Total General Revenues</i>	452,228	437,405
<i>Total Revenues</i>	515,016	478,841
Expenses		
General Government	134,282	118,411
Public Safety	91,452	87,404
Public Works	141,074	188,461
Health & Welfare	9,885	6,395
Community & Economic Development	6,036	9,397
Recreation & Culture	3,775	2,806
Other	12,203	11,100
<i>Total Expenses</i>	398,707	423,974
<i>Change in Net Position</i>	116,309	54,867
<i>Net Position at the Beginning of Period</i>	2,054,823	1,812,310
<i>Net Position at the End of Period</i>	\$ 2,171,132	\$ 1,867,177

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$116,309 from the prior fiscal year for an ending balance of \$2,171,132. While the current recession certainly had an impact on the Township, management was able to take various actions (e.g., delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The increase in the overall net position of governmental activities is generally consistent with prior years with the exception of public work expenses, which declined from \$188,461 for the year ended March 31, 2012 to \$141,075 for the year ended March 31, 2014. This is a result of fewer planned road repair and maintenance projects during the current year.

Financial Analysis of Governmental Funds

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

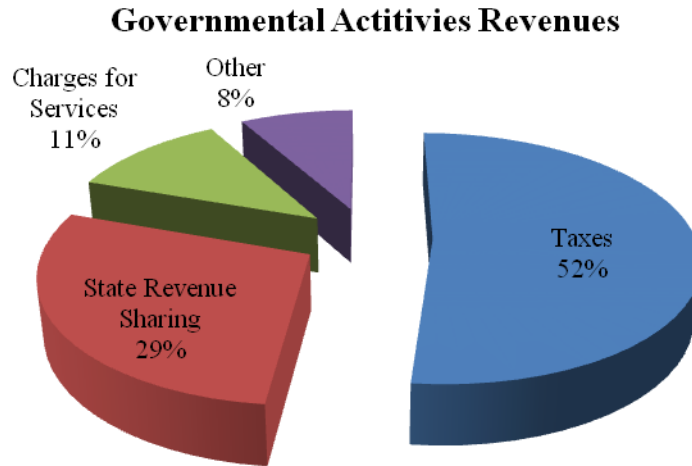
Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful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

At March 31, 2014, the Township's general fund reported fund balance of \$1,765,882, an increase of \$159,781 in comparison with the prior year. Approximately 71% of this amount (\$1,256,264) constitutes *unassigned fund balance*, which is available for spending at the government's discretion, (\$4,785) is nonspendable for prepaid expenses. The remainder of the fund balance is *restricted* to indicate that it is restricted for particular purposes (\$504,833).

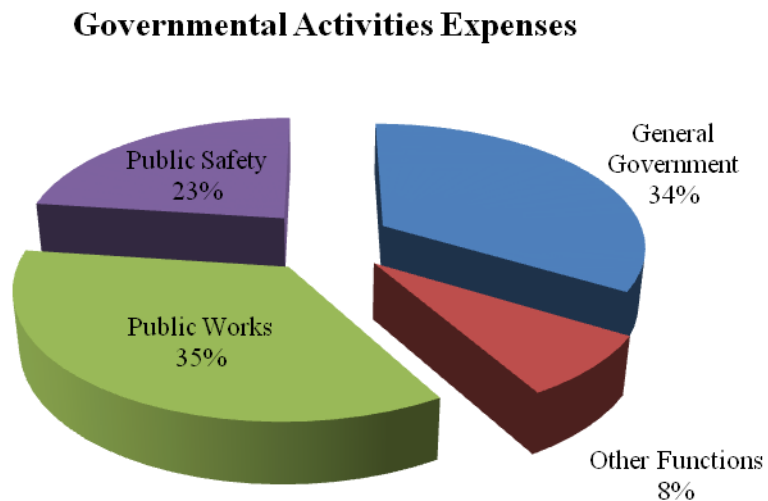
The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,256,264. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 354 percent of total general fund expenditures.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original estimated revenues. Original budgeted appropriations for permits within the public safety function had to be increased in the general fund for expenditures that were not originally budgeted. No other general fund expenditures needed significant adjustments during the year.

Final budget compared to actual results. During the current fiscal year the Township had no significant budget variances between the amended budget compared to actual results:

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$405,250 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and infrastructure. The total decrease in capital assets for the current fiscal year was approximately 10% during the year.

	2014
Land	\$ 39,506
Buildings	42,346
Machinery & Equipment	187,116
Improvements	136,282
<i>Net Capital Assets</i>	<u>\$ 405,250</u>

More detailed information about the Township's capital assets can be found in note 4 in the notes to the financial statements section of this document.

Long-term Debt

The township has no long-term debt obligations.

Economic Condition and Outlook

Management estimates that \$500,000 of revenues will to be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2014. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The

ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Hopkins
142 E Main Street, PO Box 217
Hopkins, MI 49328

**Township of Hopkins
Statement of Net Position
March 31, 2014**

	Primary Government Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash	\$ 1,655,857
Due from State	21,542
Due from Agency Fund	113,510
Prepaid Insurance	4,785
Total Current Assets	1,795,694
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	39,506
Capital Assets being Depreciated	365,744
Total Assets	2,200,944
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	12,069
Payroll Liabilities	7,743
Security Deposit Payable	10,000
Total Liabilities	29,812
NET POSITION	
Net Investment in Capital Assets	405,250
<i>Restricted for:</i>	
NE Lake	3,463
Roads	228,079
Fire	270,177
Cemetery	3,114
<i>Unrestricted</i>	1,261,049
Total Net Position	\$ 2,171,132

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Statement of Activities
For the Year Ended March 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government					
Governmental Activities:					
General Government	\$ 134,282	\$ 35,762	\$ --	\$ --	\$ (98,520)
Public Safety	91,452	23,404	--	--	(68,048)
Public Works	141,074	--	3,622	--	(137,452)
Health & Welfare	9,885	--	--	--	(9,885)
Community & Economic Development	6,036	--	--	--	(6,036)
Recreation & Culture	3,775	--	--	--	(3,775)
Other	12,203	--	--	--	(12,203)
<i>Total Primary Government</i>	<u>\$ 398,707</u>	<u>\$ 59,166</u>	<u>\$ 3,622</u>	<u>\$ --</u>	<u>\$ (335,919)</u>
General Purpose Revenues and Transfers:					
Revenues					
Property Taxes					266,442
State Revenue Sharing					147,225
Interest Income					6,032
Other Income					32,529
Transfers					--
<i>Total General Revenues and Transfers</i>					<u>452,228</u>
<i>Change in Net Position</i>					<u>116,309</u>
<i>Net Position at Beginning of Period</i>					2,054,823
<i>Net Position at End of Period</i>					<u>\$ 2,171,132</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Balance Sheet
Governmental Funds
March 31, 2014**

	General
ASSETS	
Cash	\$ 1,655,857
Due from State	21,542
Due from Agency Fund	113,510
Prepaid Insurance	4,785
<i>Total Assets</i>	\$ 1,795,694
LIABILITIES	
Accounts Payable	\$ 12,069
Payroll Liabilities	7,743
Security Deposit Payable	10,000
<i>Total Liabilities</i>	29,812
FUND BALANCE	
Nonspendable	4,785
Restricted	504,833
Unassigned	1,256,264
<i>Total Fund Balance</i>	1,765,882
<i>Total Liabilities and Fund Balance</i>	\$ 1,795,694

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2014

Total Fund Balance - Governmental Funds	\$ 1,765,882
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$707,439 net of accumulated depreciation of \$302,189.	405,250
Total Net Position - Governmental Funds	\$ <u>2,171,132</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

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

	General
Revenues	
Property Taxes	\$ 266,442
Licenses & Permits	23,404
State Revenue Sharing	150,847
Charges for Services	35,162
Interest Income	6,032
Other Income	33,129
<i>Total Revenues</i>	515,016
Expenditures	
General Government	128,443
Public Safety	78,799
Public Works	116,094
Health & Welfare	9,885
Community & Economic Development	6,036
Recreation & Culture	3,775
Other	12,203
<i>Total Expenditures</i>	355,235
<i>Excess of Revenues Over</i>	
<i>(Under) Expenditures</i>	159,781
<i>Net Change in Fund Balance</i>	159,781
<i>Fund Balance at Beginning of Period</i>	1,606,101
<i>Fund Balance at End of Period</i>	\$ 1,765,882

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 159,781
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents current year depreciation expense of \$43,472.	(43,472)
Changes in Net Position - Governmental Funds	\$ <u>116,309</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Hopkins
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2014**

	Agency
	Tax
ASSETS	
Cash	\$ 99,070
Taxes Receivable	14,440
<i>Total Assets</i>	113,510
LIABILITIES	
Due to General Fund	113,510
<i>Total Liabilities</i>	113,510
NET POSITION	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hopkins

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Hopkins (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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 of Hopkins is located in Allegan County. The Township operates under an elected Township Board of five members and provides services to its residents in many areas including general government, public safety, streets, planning and zoning, health and welfare, and recreation and culture.

These financial statements only present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Township of Hopkins

Notes to the Financial Statements

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales 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. 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 Township.

The Township of Hopkins reports the following one governmental fund:

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.

In addition, the Township reports the following governmental fund type:

The ***agency fund*** accounts for the collection and disbursements of taxes and other monies due to other units of government and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Township of Hopkins

Notes to the Financial Statements

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

State statutes and Township policy authorize the Township to invest in:

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for

Township of Hopkins

Notes to the Financial Statements

doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Description</u>	<u>Method</u>	<u>Life</u>
Building & Improvements	Straight Line	40 - 50 Years
Equipment	Straight Line	3 - 10 Years
Vehicles	Straight Line	5 - 30 Years

Net Position Flow Assumption

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

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order

Township of Hopkins

Notes to the Financial Statements

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

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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board can 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.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township's Board.

Township of Hopkins

Notes to the Financial Statements

Revenues and Expenditures / Expenses

Property tax revenue recognition

The Townships 2013 ad valorem tax is levied and collectible on December 1, 2013. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing Township operations. Property taxes are recognized when levied since the County purchases the delinquent taxes each year.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Excess of Expenditures over Appropriations

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. The budget document presents information by fund, function and department. The legal level of budgetary control adopted by the governing body is at the activity level. All annual appropriations lapse at the end of the fiscal year.

Prior to March 31, Township Board prepares an operating budget for the fiscal year commencing the following April 1. Public hearings are conducted to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 1.

The budget document presents information by fund, activity, department, and line item. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations in budgeted funds – During the year ended March 31, 2014, the Township had no significant expenditures in excess of appropriations.

Township of Hopkins

Notes to the Financial Statements

Note 3 - Cash

The Township maintains individual fund demand deposits and certificates of deposit accounts for the primary government.

Following is a reconciliation of deposit balances as March 31, 2014:

	<u>Governmental Activities</u>
Statement of Net Position	
Cash and Cash Equivalents	\$ 1,655,857
Statement of Fiduciary Net Position	
Cash and Cash Equivalents	99,070
<i>Total Deposits</i>	<u>\$ 1,754,927</u>
Deposits and Investments	
Checking and Savings Accounts	\$ 1,523,812
Certificates of Deposit	231,115
<i>Total</i>	<u>\$ 1,754,927</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,260,745 of the Township's bank balance of \$1,760,744 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Township of Hopkins

Notes to the Financial Statements

Maturity dates for certificates of deposit held at year-end are summarized as follows:

	Certificates of Deposit
Due within one year	\$ 213,115

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year end are reported above.

Township of Hopkins

Notes to the Financial Statements

Note 4 - Capital Assets

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

	March 31, 2013	Additions	Reductions	March 31, 2014
Governmental Activities - Capital Assets				
Capital Assets not Being Depreciated - Land	\$ 39,506	\$ -	\$ -	\$ 39,506
Capital Assets Being Depreciated				
Buildings	81,116	-	-	81,116
Machinery & Equipment	373,664	-	-	373,664
Improvements	213,153	-	-	213,153
Total Capital Assets Being Depreciated	667,933	-	-	667,933
Less Accumulated Depreciation				
Buildings	36,742	2,028	-	38,770
Machinery & Equipment	159,259	27,289	-	186,548
Improvements	62,716	14,155	-	76,871
Total Accumulated Depreciation	258,717	43,472	-	302,189
Total Capital Assets - Governmental Activities	\$ 448,722	\$ (43,472)	\$ -	\$ 405,250

Depreciation expense has been charged to the following functions:

Governmental Activities	
General Government	\$ 5,839
Public Safety	12,653
Public Works	24,980
Total Governmental Activities	\$ 43,472

Note 5 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

Township of Hopkins

Notes to the Financial Statements

Note 6 - Contingent Liabilities

The Township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Township's attorney and management estimate that the potential claims against the Township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Township.

Management is not aware of any subsequent events as of September 30, 2014 that would have a material effect on the financial condition of the Township.

Note 7 - Fire Protection Agreement

On November 4, 1993, Hopkins Township entered into a fire protection agreement along with the Village of Hopkins and the Township of Watson. The general purpose of this agreement is to provide basic fire protection services throughout the Hopkins Fire District as defined in the agreement. This agreement created and established the Hopkins Fire Board as a separate administrative entity and public body and grant the Board the authority to govern fire protection and other designated emergency services as allowed by the terms of the agreement. Each member unit is required to contribute funds on a quarterly basis toward the operations of the Fire Board. Each unit's share is adjusted annually and is based upon a formula as provided for in the agreement. This agreement shall continue for a term of five years commencing April 1, 2000 and ending on March 31, 2006. This agreement shall be automatically renewed as to each unit for additional successive terms of five years each, unless a member unit withdraws in accordance with the agreement provisions.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Hopkins
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 269,470	\$ 269,470	\$ 266,442	\$ (3,028)
Permits & Inspections	16,500	16,500	23,404	6,904
State Revenue Sharing	143,603	143,603	150,847	7,244
Charges for Services	33,500	33,500	35,162	1,662
Interest & Penalties	5,545	5,545	6,032	487
Other	21,100	21,100	33,129	12,029
Total Revenues	<u>489,718</u>	<u>489,718</u>	<u>515,016</u>	<u>25,298</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>489,718</u>	<u>489,718</u>	<u>515,016</u>	<u>25,298</u>
Expenditures				
General Government				
Township Board	4,500	4,500	3,843	657
Executive	13,600	13,600	14,198	(598)
Clerk	15,616	15,616	16,360	(744)
Auditing	500	500	300	200
Board of Review	1,100	1,515	1,515	--
Treasurer	17,984	17,984	18,168	(184)
Assessor	19,640	19,640	20,841	(1,201)
Elections	5,700	5,700	1,018	4,682
Cemetery	29,630	29,630	22,798	6,832
Other General Government	57,200	48,016	29,402	18,614
Total General Government	<u>165,470</u>	<u>156,701</u>	<u>128,443</u>	<u>28,258</u>
Public Safety				
Fire	126,000	126,000	55,030	70,970
Permits	15,000	23,769	23,769	--
Total Public Safety	<u>141,000</u>	<u>149,769</u>	<u>78,799</u>	<u>70,970</u>
Public Works				
Drains	7,200	7,200	--	7,200
Roads	257,053	257,053	113,907	143,146
Street Lights	2,400	2,400	2,187	213
Total Public Works	<u>266,653</u>	<u>266,653</u>	<u>116,094</u>	<u>150,559</u>
Health & Welfare	10,500	10,500	9,885	615
Community & Economic Development				
Planning Commission	7,700	7,700	5,614	2,086
Board of Appeals	1,950	1,950	422	1,528
Total Community & Economic Development	<u>9,650</u>	<u>9,650</u>	<u>6,036</u>	<u>3,614</u>
Recreation & Culture - Parks	4,000	4,000	3,775	225
Other	19,500	19,500	12,203	7,297
Total Expenditures	<u>616,773</u>	<u>616,773</u>	<u>355,235</u>	<u>261,538</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>616,773</u>	<u>616,773</u>	<u>355,235</u>	<u>261,538</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(127,055)</u>	<u>(127,055)</u>	<u>159,781</u>	<u>286,836</u>
Net Change in Fund Balance	<u>(127,055)</u>	<u>(127,055)</u>	<u>159,781</u>	<u>286,836</u>
Fund Balance at Beginning of Period	1,606,101	1,606,101	1,606,101	--
Fund Balance at End of Period	<u>\$ 1,479,046</u>	<u>\$ 1,479,046</u>	<u>\$ 1,765,882</u>	<u>\$ 286,836</u>

September 30, 2014

To the Township Board
Township of Hopkins, Michigan

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Hopkins for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *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 May 16, 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 the Township of Hopkins are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.

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 such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- General fund increased cash by a total of \$228,761 to reconcile each cash account back to the corresponding bank balance.
- General fund decrease accounts payable by \$118,008 to account for 2 months of missing accounts payable activity.
- General fund increased due from state by \$21,542 to account for the state revenue sharing receivable.
- General fund decrease due from other units (agency fund) by \$130,890 to match the due to other units in the agency fund.
- Tax fund decreased cash by \$554,240 to reconcile book to bank balance.
- Tax fund increased taxes receivable by \$14,440 to account for delinquent taxes due from the county.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 30, 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.

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

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC
Grand Rapids, MI

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 30, 2014

To the Township Board
Township of Hopkins, Michigan

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Hopkins, Michigan as of and for the year ended March 31, 2014, which collectively comprise the Township of Hopkins, Michigan's basic financial statements and have issued our report thereon dated September 30, 2014. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Hopkins, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Township of Hopkins, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Hopkins, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

or detected and corrected on a timely basis. We consider the deficiencies described in Comments 2014-1 through 2014-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Hopkins, Michigan'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 statement 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*.

The Township of Hopkins, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township of Hopkins, Michigan's responses and, accordingly, we express no opinion on it.

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



Gabridge & Company, PLC
Grand Rapids, MI

Township of Hopkins

Schedule of Findings and Responses

Material Weaknesses

2014-1 – Preparation of Governmental Financial Statements

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

Condition/Finding: As is the case with many smaller and medium sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls. In addition, we proposed, and management approved, material journal entries to properly record debt service, accounts receivable, accounts payable, and capital asset (capital outlay) transactions in the proprietary and governmental funds. We also noted that the Township does not consistently review interim financial statements.

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

Effect: As a result of this condition, the Township lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Township's records were initially misstated by an amount material to the financial statements. Finally, management of the Township is not able to review and inquire of the financial condition of the Township on a timely basis.

View of Responsible Officials:

Township of Hopkins

Schedule of Findings and Responses

Material Weakness

2014-2 - Segregation of Incompatible Duties

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

Condition/Finding: The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include cash reconciliation, payroll, accounts receivable and accounts payable transactions.

Cause: This condition is a result of the limited size of the Township's accounting staff.

Effect: As a result of this condition, the Township 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: While 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, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible
Officials:

Township of Hopkins

Schedule of Findings and Responses

Material Weakness

2014-3 – Reconciliation of Key Balance Sheet Accounts

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Township. A key element of internal control is the monitoring and reconciling of financial data within the accounting function.

Condition/Finding: The Township has balance sheet accounts that are only reconciled at year end as part of the audit. These areas include cash and accounts / taxes receivable. Accordingly, the Township's ability to prepare financial statements with reconciled balance sheet accounts is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Cause: This condition is a result of the lack of documented control policies and procedures at the Township.

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

Recommendation: We recommend developing policies and procedures for reconciling taxes and accounts receivable (at least quarterly) to the general ledger. All cash accounts (including the fiduciary funds) need to be reconciled to the general ledger monthly. These policies and procedures should require involvement of a second responsible person as part of the review/monitoring process.

View of Responsible
Officials: