

Egelston Township
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2014



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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

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

October 30, 2014

Township Board
Egelston Township
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Egelston Township's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

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

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency as **Finding 2014-001**.

Township Board
October 30, 2014
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Egelston Township’s financial statements are free from 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*.

Egelston Township’s Response to Findings

Egelston Township’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Egelston Township’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Muskegon, Michigan

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 30, 2014

Township Board
Egelston Township
Muskegon, Michigan

Report on Compliance for Major Federal Program

We have audited Egelston Township's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Egelston Township's major federal program for the year ended June 30, 2014. Egelston Township's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Responses.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Egelston Township's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Egelston Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Egelston Township's compliance.

Township Board
October 30, 2014
Page 2

Opinion on Major Federal Program

In our opinion, Egelston Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Egelston Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Egelston Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Egelston Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirement of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Township Board
October 30, 2014
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Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Egelston Township as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Egelston Township's basic financial statements. We issued our report thereon dated October 30, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Muskegon, Michigan

Egelston Township
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2014

Federal grantor/pass-through grantor/program title	Federal CFDA Number	Entitlement Program or Award Amount	Accrued (Deferred) Revenue July 1, 2013	Cash or Payments In- Kind Received (Cash Basis)	Amount of Grant Expenditures	Accrued (Deferred) Revenue June 30, 2014
<i>U.S. Department of Agriculture, Rural Development</i>						
Direct programs						
Community Facilities Loans and Grants	10.766					
Loan		\$ 2,300,000	\$ 200,443	\$ 1,979,000	\$ 1,883,557	\$ 105,000
 <i>U.S. Department of Homeland Security</i>						
Direct programs						
Assistance to Firefighters Grant	97.044					
EMW-2011-FF-00215		128,366	17,232	15,518	9,734	11,448
TOTAL FEDERAL ASSISTANCE		\$ 2,428,366	\$ 217,675	\$ 1,994,518	\$ 1,893,291	\$ 116,448

The accompanying notes are an integral part of this schedule

Egelston Township
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended June 30, 2014

1. The accompanying Schedule of Expenditures of Federal Awards (the "schedule") includes the federal grant activity of the Township under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the Township, it is not intended to and does not present the financial position or change in net position of the Township.
2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.
3. The following is a reconciliation of federal revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances of Egelston Township's financial statements for the year ended June 30, 2014 and federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per Egelston Township's financial statements	
Fire Fund	\$ 9,734
Plus drawdowns on federal loans	<u>1,883,557</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,893,291</u></u>

Egelston Township
SCHEDULE OF FINDINGS AND RESPONSES
 Year ended June 30, 2014

SECTION I—SUMMARY OF AUDITORS' RESULTS

A. Financial Statements

1. Type of auditors' report issued: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
2. Type of auditors' report issued on compliance for major programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

4. Identification of major programs:

CFDA Number(s)

Name of Federal Program/Cluster

**U.S. Department of Agriculture/Rural Development
 Community Facilities Loans and Grants**

10.766

5. Dollar threshold used to distinguish between type A and type B programs: **\$300,000**
6. Auditee qualified as low-risk auditee? _____ yes X no

Egelston Township
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001: Financial Statement Preparation Controls

Criteria: Organizations should have internal controls over the preparation of formal year-end financial statements.

Condition: The Township has limited internal controls over the preparation of formal year-end financial statements.

Cause: The Township is a small organization with limited resources and personnel.

Effect: Formal year-end financial statements could have errors in required disclosures.

Context: We reviewed the controls surrounding the preparation of formal year-end financial statements.

Repeat Finding: **No** single audit was required for the prior year ended June 30, 2013. Accordingly, this is **not** a repeat finding.

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

Views of Responsible Officials: The Township agrees with the finding. From a cost benefit approach, the Township has chosen not to hire an employee with the educational background necessary to perform such a review. The Township will continue to review the draft financial statements before they are issued.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings in relation to major federal award programs.

CLIENT DOCUMENTS


SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

October 30, 2014

U.S. Department of Agriculture, Rural Development
Washington, D.C.

Egelston Township respectfully advises you that a single audit was **not** required for the year ended June 30, 2013. Accordingly, there are **no** prior year findings upon which to provide prior status.

Sincerely,

A handwritten signature in cursive script that reads "Joan J Raap".

Joan Raap
Township Clerk

CORRECTIVE ACTION PLAN

October 30, 2014

U.S. Department of Agriculture, Rural Development
Washington, D.C.

Egelston Township respectfully submits the following Corrective Action Plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2014

The findings from the Schedule of Findings and Responses for the year ended June 30, 2014 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2014-001: Financial Statement Preparation Controls

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

Action Taken: From a cost-benefit approach, the Township has chosen not to hire an employee with the educational background necessary to perform such a review. However, the Township will continue to review the draft financial statements before they are issued and look for other ways to improve the process.

Responsible Person and Anticipated Completion Date: Joan Raap – June 30, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings in relation to major federal award programs.

If the U.S. Department of Agriculture, Rural Development has questions regarding this plan, please call Joan Raap at (231) 788-2308 ext. 16.

Sincerely,



Joan Raap
Township Clerk