

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

MARCH 31, 2014



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

MARCH 31, 2014

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May 23, 2014

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Banks Township
Antrim County
Ellsworth, Michigan

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of March 31, 2014, and the respective changes in financial position and 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 on pages iii-ix and 18-21 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BANKS TOWNSHIP, ANTRIM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2014

As management of Banks Township (“the Township”), 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 as a whole, which can be found in this report.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management Discussion and Analysis (MD&A) – for State and Local Governments issued in June of 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Township is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Township has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

Financial Highlights

- ❖ The assets of the Township exceeded its liabilities at the close of this fiscal year by \$1,587,135 (shown as *Net Position*). Of this amount, \$425,515 (*Unrestricted Net Position*) may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ The Township’s net position increased by \$93,759 during the fiscal year.
- ❖ As of March 31, 2014, the governmental funds of Banks Township reported combined ending fund balances of \$529,089.

Overview of the Financial Statements

This discussion and analysis 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 details 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, liabilities, and deferred inflows/outflows of resources, 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.

BANKS TOWNSHIP, ANTRIM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

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 periods.

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 significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural, and other functions.

The government-wide financial statements can be found on pages 1-2 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. Banks 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 funds 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 *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 four 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, Municipal Street Fund, Fire Fund, and Liquor Law Enforcement Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 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

BANKS TOWNSHIP, ANTRIM COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2014

resources of those funds are not available to support the Township’s own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statement can be found on page 7 of this report.

Notes to 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 can be found on pages 8-17 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

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 Banks Township, assets exceeded liabilities by \$1,587,135, at the close of the most recent fiscal year.

Banks Township
Net Position as of March 31, 2014

	Governmental Activities
Assets	
Current Assets	\$ 530,346
Non Current Assets	
Capital Assets	1,693,280
Less: Accumulated Depreciation	(635,234)
Total Non Current Assets	1,058,046
Total Assets	1,588,392
Liabilities	
Current Liabilities	1,257
Net Position	
Net Investment in Capital Assets	1,058,046
Restricted for Specific Purposes	103,574
Unrestricted	425,515
Total Net Position	\$ 1,587,135

A portion of the Township’s net position (67%) reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets.

BANKS TOWNSHIP, ANTRIM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$425,515 is unrestricted, which 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 categories of net position.

Banks Township's overall net position increased by \$93,759 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

**Banks Township
Change in Net Position
for the Fiscal Year Ended March 31, 2014**

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 73,475
Operating Grants and Contributions	4,723
General Revenues	
Taxes	291,281
State Grants	94,297
Investment Earnings	235
Other	2,142
Total Revenues	<u>466,153</u>
<u>Expenses</u>	
General Government	164,303
Public Safety	106,199
Public Works	40,749
Health and Welfare	20,718
Community and Economic Development	11,585
Recreational and Cultural	12,094
Other Functions	16,746
Total Expenses	<u>372,394</u>
Change in Net Position	93,759
<u>NET POSITION</u> - Beginning of Year	<u>1,493,376</u>
<u>NET POSITION</u> - End of Year	<u>\$ 1,587,135</u>

BANKS TOWNSHIP, ANTRIM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2014

Governmental Activities

During the fiscal year ended March 31, 2014, the governmental activities accounted for an increase of \$93,759 in the Township's Net Position. The most significant part of the revenue for all governmental activities of Banks Township comes from property taxes. The Township levied a millage for street maintenance and the operating millage this fiscal year. The Township levied 1.0000 mill for operating purposes, 1.0000 mill for street maintenance, and 1.1000 mills for fire protection. State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by General Government expenses that total \$164,303. Public Safety represented the next largest expense at \$106,199.

Financial Analysis of the 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 Banks 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 Board.

At March 31, 2014, Banks Township's governmental fund reported a fund balance of \$529,089, an increase of \$65,328 in comparison with the prior year. Approximately 24% of this amount (\$124,690) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$229,289), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$103,574), 4) committed for particular purposes (\$60,000), or 5) assigned for particular purposes (\$11,536).

General Fund – The General Fund is the main operating fund of the Township. The General Fund increased its fund balance in this fiscal year by \$50,435, bringing the balance to \$550,680 of which \$263,306 was unassigned, \$210,000 was nonspendable related to advances to other funds, \$5,838 was nonspendable related to prepaid expenditures, \$60,000 was committed for vehicle replacement, and \$11,536 was assigned for the subsequent year's budget shortfall.

Municipal Street Fund – The Municipal Street Fund decreased its fund balance in this fiscal year by \$21,310, bringing the balance to \$102,532. This balance is restricted and must be used for road improvements.

The Township levied a road millage on the 2013 tax roll. This resulted in \$85,984 in tax related revenues during the current fiscal year.

BANKS TOWNSHIP, ANTRIM COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Fire Fund – The Fire Fund increased its fund balance in this fiscal year by \$35,802, bringing the balance to a deficit of \$125,165. The deficit occurred as a result of purchasing two fire trucks in previous years. An interfund loan was approved to help pay for the purchases because the Fire Fund did not have enough cash on hand to cover the purchase. The interfund loan will be paid back with excess revenues over the next several years.

The Township levied a fire millage on the 2013 tax roll. This resulted in \$92,003 in tax related revenues during the current fiscal year.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance in this fiscal year by \$401, bringing the balance to \$1,042. This balance is restricted and must be used for liquor law enforcement.

General Fund Budgetary Highlights

During the year, there was a \$9,745 increase in appropriations between the original budget and final amended budget. Following is the reason for the increase:

- ❖ Amendments to expenditures in various activities.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 263,568	\$ 281,057	\$ 281,356
Total Expenditures	\$ 257,720	\$ 267,465	\$ 230,921

A review of actual revenues compared with estimated revenues yields no significant variances.

A review of actual expenditures compared with budgeted appropriations showed that all functions expended less than the appropriated amount. Most of the variances were insignificant, except for the expenditures related to buildings and grounds expenditures and computer hardware, internet and software expenditures where expenditures were less than anticipated.

Capital Assets

Capital Assets The Township's investment in capital assets for governmental activities as of March 31, 2014, amounted to \$1,058,046 net of accumulated depreciation.

BANKS TOWNSHIP, ANTRIM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2014

Capital assets of the Township include any items purchased with a cost greater than \$10,000 individually and that have an expected useful life greater than one year. A summary of capital asset categories is illustrated below:

Banks Township
Capital Assets as of March 31, 2014

	Governmental Activities
Buildings and Building Improvements	\$ 275,804
Equipment and Vehicles	962,667
Infrastructure	454,809
	1,693,280
Less: Accumulated Depreciation	(635,234)
Net Capital Assets	\$ 1,058,046

Major capital asset events during the current fiscal year included:

- ❖ Road improvement at a cost of \$103,467.

Economic Condition and Outlook

It appears state-shared revenues and taxable values have stabilized, stabilizing the two largest revenue streams of the Township. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

This factor was considered in preparing the Township's budgets for the 2014-2015 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Banks Township at P.O. Box 68, Ellsworth, Michigan 49729.

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 271,044
Investments	190,628
Receivables	
Account	4,089
Taxes	23,099
External Parties (Fiduciary Funds)	2
Due from Other Governments	22,195
Prepaid Expenditures	<u>19,289</u>
 Total Current Assets	 <u>530,346</u>
 <u>CAPITAL ASSETS</u>	
Buildings and Building Improvements	275,804
Equipment and Vehicles	962,667
Infrastructure	<u>454,809</u>
	1,693,280
Less Accumulated Depreciation	<u>635,234</u>
Net Capital Assets	<u>1,058,046</u>
 Total Assets	 <u>1,588,392</u>
 <u>LIABILITIES</u>	
Accounts Payable	<u>1,257</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	1,058,046
Restricted for Road Improvements	102,532
Restricted for Liquor Law Enforcement	1,042
Unrestricted	<u>425,515</u>
 TOTAL NET POSITION	 <u>\$ 1,587,135</u>

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 164,303	\$ 69,190	\$ 0	\$ 0	\$ (95,113)
Public Safety	106,199	3,800	1,376	0	(101,023)
Public Works	40,749	0	3,347	0	(37,402)
Health and Welfare	20,718	0	0	0	(20,718)
Community and Economic Development	11,585	485	0	0	(11,100)
Recreation and Cultural	12,094	0	0	0	(12,094)
Other Functions	16,746	0	0	0	(16,746)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 372,394	\$ 73,475	\$ 4,723	\$ 0	(294,196)
 <u>GENERAL REVENUES</u>					
					291,281
Taxes					94,297
State Grants					235
Investment Earnings					2,142
Other					387,955
Total General Revenues					
Change in Net Position					93,759
<u>NET POSITION</u> - Beginning of Year					1,493,376
<u>NET POSITION</u> - End of Year					\$ 1,587,135

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2014

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 248,495	\$ 27,201	\$ 0	\$ 0	\$ 275,696
Investments	51,621	68,284	69,081	1,642	190,628
Accounts Receivable	4,089	0	0	0	4,089
Taxes Receivable	8,440	7,047	7,612	0	23,099
Due from Other Governments	22,195	0	0	0	22,195
Due from Other Funds	2	0	0	0	2
Prepaid Expenditures	5,838	0	13,451	0	19,289
Advances to Other Funds	210,000	0	0	0	210,000
TOTAL ASSETS	<u>\$ 550,680</u>	<u>\$ 102,532</u>	<u>\$ 90,144</u>	<u>\$ 1,642</u>	<u>\$ 744,998</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Bank Overdraft	\$ 0	\$ 0	\$ 4,052	\$ 600	\$ 4,652
Accounts Payable	0	0	1,257	0	1,257
Advances from Other Funds	0	0	210,000	0	210,000
Total Liabilities	<u>0</u>	<u>0</u>	<u>215,309</u>	<u>600</u>	<u>215,909</u>
<u>FUND BALANCE</u>					
Nonspendable:					
Prepaid Expenditures	5,838	0	13,451	0	19,289
Advances to Other Funds	210,000	0	0	0	210,000
Restricted for:					
Road Improvements	0	102,532	0	0	102,532
Liquor Law Enforcement	0	0	0	1,042	1,042
Committed for Vehicle Replacement	60,000	0	0	0	60,000
Assigned for Subsequent Year's					
Budget Shortfall	11,536	0	0	0	11,536
Unassigned (Deficit)	263,306	0	(138,616)	0	124,690
Total Fund Balance (Deficit)	<u>550,680</u>	<u>102,532</u>	<u>(125,165)</u>	<u>1,042</u>	<u>529,089</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 550,680</u>	<u>\$ 102,532</u>	<u>\$ 90,144</u>	<u>\$ 1,642</u>	<u>\$ 744,998</u>

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

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

MARCH 31, 2014

Total Fund Balances for Governmental Funds \$ 529,089

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Buildings and Building Improvements	\$ 275,804	
Equipment and Vehicles	962,667	
Infrastructure	454,809	
Accumulated Depreciation	(635,234)	1,058,046
		<hr/>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,587,135

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2014

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 113,294	\$ 85,984	\$ 92,003	\$ 0	\$ 291,281
State Grants	94,297	3,347	0	1,376	99,020
Charges for Services	3,918	0	1,700	0	5,618
Interest and Rents	68,047	22	23	0	68,092
Other	1,800	0	342	0	2,142
 Total Revenues	 281,356	 89,353	 94,068	 1,376	 466,153
<u>EXPENDITURES</u>					
General Government	160,179	0	0	0	160,179
Public Safety	90	0	58,266	975	59,331
Public Works	9,509	110,663	0	0	120,172
Health and Welfare	20,718	0	0	0	20,718
Community and Economic Development	11,585	0	0	0	11,585
Recreation and Cultural	12,094	0	0	0	12,094
Other Functions	16,746	0	0	0	16,746
 Total Expenditures	 230,921	 110,663	 58,266	 975	 400,825
Excess (Deficiency) of Revenues Over Expenditures	50,435	(21,310)	35,802	401	65,328
<u>FUND BALANCE</u> - Beginning of Year (Deficit)	500,245	123,842	(160,967)	641	463,761
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 550,680	\$ 102,532	\$ (125,165)	\$ 1,042	\$ 529,089

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

MARCH 31, 2014

Net Change in Fund Balance - Total Governmental Funds \$ 65,328

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(75,036)
Capital Outlay	<u>103,467</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 93,759

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2014

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 2
<u>LIABILITIES</u>	
Due to Other Funds	<u> 2</u>
<u>NET POSITION</u>	<u><u> 0</u></u>

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

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Banks Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Banks Township is a general law township located in Antrim County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the 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.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government'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.

Banks 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 *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

The *Liquor Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

Additionally Banks Township reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government 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 the funds included in governmental activities 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.

E. 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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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.

BANKS TOWNSHIP, ANTRIM COUNTY
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Property 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 resource (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, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

1. Budgetary Basis of Accounting

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 “The Uniform Budgeting and Accounting Act”. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 18, 2013, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

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

1. 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 date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

2. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. *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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land Improvements	20
Building	20-50
Building Improvements	20-30
Public Domain Infrastructure	20-50
Vehicles	10
Equipment	5-20

4. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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/expenditure) until then. The Township does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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. The Township does not have any deferred inflows of resources.

5. *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 financial

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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.

6. *Fund Balance Flow Assumption*

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 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.

7. *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 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 governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 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.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue 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.

2. Property Taxes

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2013 taxable valuation of Banks Township totaled \$85,748,941 on which ad valorem taxes levied consisted of 1.0000 mill for Banks Township operating purposes, 1.0000 mill for road maintenance, and 1.1000 mills for fire protection. The levy raised approximately \$85,984 for operating purposes, \$85,984 for road improvements, and \$92,003 for fire protection.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions

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, none of the Township's bank balance of \$284,761 was exposed to custodial credit risk because it was insured and collateralized. Although it is not specifically addressed in the Township's investment policy, the Township typically limits its exposure to this type of risk by controlling who holds its deposits.

Foreign Currency Risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. All of the Township's investments are classified as category 1.

As of March 31, 2014, the Township held the following investments:

	CARRYING AMOUNT	FAIR VALUE
Investments - Primary Government		
MBIA Asset Management	\$ 190,628	\$ 190,628

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying Amount of Deposits	\$ 271,046
Carrying Amount of Investments	190,628
Total	\$ 461,674
	PRIMARY GOVERNMENT
Government-Wide Statement of Net Position	
Cash	\$ 271,044
Investments	190,628
Statement of Fiduciary Assets and Liabilities	
Cash	2
Total	\$ 461,674

B. Receivables

Receivables as of year-end for the government's individual major funds are as follows:

	General	Municipal Street	Fire	Total
Receivables				
Accounts	\$ 4,089	\$ 0	\$ 0	\$ 4,089
Taxes	8,440	7,047	7,612	23,099
Intergovernmental	22,195	0	0	22,195
Total	\$ 34,724	\$ 7,047	\$ 7,612	\$ 49,383

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Being Depreciated				
Buildings and Building Improvements	\$ 275,804	\$ 0	\$ 0	\$ 275,804
Equipment and Vehicles	962,667	0	0	962,667
Infrastructure	351,342	103,467	0	454,809
Total Capital Assets, Being Depreciated	1,589,813	103,467	0	1,693,280
Less accumulated depreciation for:				
Buildings and Building Improvements	169,118	7,948	0	177,066
Equipment and Vehicles	319,998	43,044	0	363,042
Infrastructure	71,082	24,044	0	95,126
Total accumulated depreciation	560,198	75,036	0	635,234
Governmental activities capital assets, net	\$ 1,029,615	\$ 28,431	\$ 0	\$ 1,058,046

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 4,124
Public Safety	46,868
Public Works	24,044
	\$ 75,036

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2014, were:

<u>FUND</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 2	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	2
	\$ 2	\$ 2

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Township has no interfund transfers.

E. Leases

The Township has entered into an income lease agreement with Noverr Publishing, Inc. dated December 1997 to lease 4,800 square feet of land on which a communications tower and antenna array was constructed. The initial lease was a period of five years with the option to extend the lease for three additional five year periods. In 2008 the lease terms were amended to add two more five year periods to the option to extend the lease for a total lease term of 30 years. The Township has entered the third extension period. The lease was purchased by American Tower Corporation. The minimum rental payments to be received for the next five years is based on 25% of the collocation fees received.

F. Advances to/from Other Funds

Advances to/from Other Funds at March 31, 2014, consisted of the following:

Advance	
\$300,000 owed by the Fire fund to the General fund due	
in annual installments of \$30,000 through March 31, 2021,	
interest at 0%	<u>\$ 210,000</u>

The annual requirements to amortize advance outstanding as of March 31, 2014, are as follows:

Year Ending March 31,	Principal	Interest	Amounts Payable
2015	\$ 30,000	\$ 0	\$ 30,000
2016	30,000	0	30,000
2017	30,000	0	30,000
2018	30,000	0	30,000
2019	30,000	0	30,000
2020-2021	60,000	0	60,000
	\$ 210,000	\$ 0	\$ 210,000

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

G. 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. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

III. OTHER INFORMATION

A. Fund Balance Deficit

The Township has incurred a fund balance deficit in the Fire Fund in the amount of \$125,165. The deficit occurred as a result of purchasing two fire trucks costing a total of \$336,508. An advance was made from the Township General Fund in the amount of \$300,000 to help pay for a large portion of the vehicles. At March 31, 2014, the advance owed back to the General Fund totaled \$210,000. To eliminate this deficit the Fire Fund is going to budget to repay this advance over the next several years from excess revenues.

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ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 111,657	\$ 112,030	\$ 113,294	\$ 85,857	\$ 84,886	\$ 85,984
State Grants	94,961	96,255	94,297	3,100	3,347	3,347
Charges for Services	3,600	3,735	3,918	0	0	0
Interest and Rents	52,650	67,237	68,047	20	50	22
Other Revenues	700	1,800	1,800	0	0	0
	<hr/>			<hr/>		
Total Revenues	263,568	281,057	281,356	88,977	88,283	89,353
<hr/>						
<u>EXPENDITURES</u>						
General Government						
Township Board	8,000	8,250	8,244	0	0	0
Supervisor	15,000	15,000	14,652	0	0	0
Election	1,000	155	152	0	0	0
Attorney	3,000	7,719	7,719	0	0	0
Clerk	25,000	25,000	24,237	0	0	0
Assessor	20,300	20,300	20,070	0	0	0
Board of Review	1,000	1,387	1,387	0	0	0
Treasurer	23,600	23,600	21,633	0	0	0
Data Processing	1,800	1,800	1,250	0	0	0
Computer Hardware, Internet and Software	18,000	18,000	9,988	0	0	0
Building and Grounds	37,500	37,500	27,066	0	0	0
Bank Building	2,000	2,000	1,321	0	0	0
Cemetery	19,500	22,500	22,460	0	0	0
Public Safety						
Fire Department	200	200	90	0	0	0
Public Works						
Street Maintenance	400	400	0	117,578	110,666	110,663
Street Lighting	3,100	3,100	2,294	0	0	0
Cleanup Day	8,200	8,200	7,215	0	0	0
Health and Welfare						
Ambulance	8,000	8,000	7,400	0	0	0
Rescue Department	16,825	16,825	13,318	0	0	0
Community and Economic Development						
Planning and Zoning	14,600	14,600	11,585	0	0	0

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ELLSWORTH, MICHIGAN
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BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	<u>GENERAL FUND</u>			<u>MUNICIPAL STREET FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Recreation and Cultural						
Recreation and Parks	8,000	8,000	6,794	0	0	0
Library	5,300	5,300	5,300	0	0	0
Other Functions						
Insurance and Bonds	3,800	4,426	3,321	0	0	0
Employee Benefits	8,600	8,805	7,158	0	0	0
Miscellaneous	4,995	6,398	6,267	0	0	0
Total Expenditures	<u>257,720</u>	<u>267,465</u>	<u>230,921</u>	<u>117,578</u>	<u>110,666</u>	<u>110,663</u>
Excess (Deficiency) of						
Revenues over Expenditures	5,848	13,592	50,435	(28,601)	(22,383)	(21,310)
<u>FUND BALANCE</u> - Beginning of Year	<u>193,494</u>	<u>193,494</u>	<u>500,245</u>	<u>117,892</u>	<u>117,892</u>	<u>123,842</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 199,342</u>	<u>\$ 207,086</u>	<u>\$ 550,680</u>	<u>\$ 89,291</u>	<u>\$ 95,509</u>	<u>\$ 102,532</u>

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	<u>FIRE FUND</u>			<u>LIQUOR LAW ENFORCEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Taxes	\$ 82,773	\$ 90,937	\$ 92,003	\$ 0	\$ 0	\$ 0
State Grants	0	0	0	1,364	1,364	1,376
Charges for Services	1,700	1,700	1,700	0	0	0
Interest and Rents	0	23	23	0	0	0
Other Revenues	0	342	342	0	0	0
Total Revenues	84,473	93,002	94,068	1,364	1,364	1,376
<u>EXPENDITURES</u>						
General Government						
Township Board	0	0	0	0	0	0
Supervisor	0	0	0	0	0	0
Election	0	0	0	0	0	0
Attorney	0	0	0	0	0	0
Clerk	0	0	0	0	0	0
Assessor	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0
Data Processing	0	0	0	0	0	0
Building and Grounds	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0
Public Safety						
Fire Department	73,950	79,751	58,266	0	0	0
Liquor Law Enforcement	0	0	0	900	975	975
Public Works						
Street Lighting	0	0	0	0	0	0
Cleanup Day	0	0	0	0	0	0
Health and Welfare						
Ambulance	0	0	0	0	0	0
Rescue Department	0	0	0	0	0	0
Community and Economic Development						
Planning and Zoning	0	0	0	0	0	0
Recreation and Cultural						
Recreation and Parks	0	0	0	0	0	0
Library	0	0	0	0	0	0

BANKS TOWNSHIP, ANTRIM COUNTY
ELLSWORTH, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	<u>FIRE FUND</u>			<u>LIQUOR LAW ENFORCEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Other Functions						
Insurance and Bonds	0	0	0	0	0	0
Employee Benefits	0	0	0	0	0	0
Refunds and Rebates	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Debt Service						
Principal	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Total Expenditures	<u>73,950</u>	<u>79,751</u>	<u>58,266</u>	<u>900</u>	<u>975</u>	<u>975</u>
Excess (Deficiency) of						
Revenues over Expenditures	10,523	13,251	35,802	464	389	401
<u>FUND BALANCE</u> - Beginning of Year	<u>61,698</u>	<u>61,698</u>	<u>(160,967)</u>	<u>641</u>	<u>641</u>	<u>641</u>
<u>FUND BALANCE</u> - End of Year (Deficit)	<u>\$ 72,221</u>	<u>\$ 74,949</u>	<u>\$ (125,165)</u>	<u>\$ 1,105</u>	<u>\$ 1,030</u>	<u>\$ 1,042</u>



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

www.bcbcpa.com

May 23, 2014

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

To the Township Board
Banks Township
Antrim County
Ellsworth, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks 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 in our letter to you dated April 23, 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 Banks Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013-2014. 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 estimates affecting the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township's financial statements were:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimate 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 known and likely 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 each opinion unit's financial statements taken as a whole.

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 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 May 23, 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 Banks Township'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 Banks Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Deficit Fund Balance

The Township ended the year with a deficit fund balance in the Fire Fund of \$125,165. This was due to fire truck purchases in fiscal year 2012 that were funded with an advance from the General Fund. A deficit elimination has been accepted by the state.

Federal Employers Identification Number (FEIN)

The Township should control and limit the use of its FEIN to accounts and uses authorized by state law and activities included in its annual audit. Confirmation with the Township's bank indicated the Pig Roast Committee may have a bank account using the Township's FEIN. We recommend the Pig Roast Committee obtain their own FEIN and discontinue use of the Township's FEIN.

Condition of Accounting Records and Accounting Controls

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

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



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SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

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May 23, 2014

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Banks Township
Antrim County
Ellsworth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund information, and the aggregate remaining fund information of Banks 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 Banks Township's internal control over financial reporting (internal control) as a basis for designing auditing 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 Banks Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Banks Township's internal control.

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

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Banks Township's internal control to be material weaknesses:

1) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

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

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

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

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

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

2) *Segregation of Incompatible Duties and Documented Independent Review*

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

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

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

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

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff, and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

Banks Township's response to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.