

**HENDERSON TOWNSHIP, WEXFORD COUNTY**

**CADILLAC, MICHIGAN**

**MARCH 31, 2014**



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

CERTIFIED PUBLIC ACCOUNTANTS  
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HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MARCH 31, 2014

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www.bcbcpa.com

July 15, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Henderson Township  
Wexford County  
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henderson Township, Wexford County, Cadillac, 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 misstatements 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 major fund, and the aggregate remaining fund information of Henderson Township, Wexford County, Cadillac, Michigan as of March 31, 2014, and the respective changes in financial position for the year then ended in conformity 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 through viii and 17 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.*

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

As management of Henderson 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 \$77,400 (shown as *Net Position*). Of this amount, \$26,703 (*Unrestricted Net Position*) may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ The Township’s net position increased by \$3,785 during the fiscal year.
- ❖ As of March 31, 2014, the governmental funds of Henderson Township reported combined ending fund balances of \$69,219, of which \$23,154 is available for spending at the Township’s discretion.

**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.

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

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, and community and economic development.

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. Henderson 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 two 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 and Cemetery 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.



HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

**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 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 governmental-wide and fund financial statements. The notes can be found on pages 8-16 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 Henderson Township, assets exceeded liabilities by \$77,400, at the close of the most recent fiscal year.

**Henderson Township**  
**Net Position as of March 31, 2014**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 70,243
Non Current Assets	
Capital Assets	39,804
Less: Accumulated Depreciation	<u>(31,623)</u>
Total Non Current Assets	<u>8,181</u>
<b>Total Assets</b>	<u>78,424</u>
<b>Liabilities</b>	
Current Liabilities	<u>1,024</u>
<b>Net Position</b>	
Net Investment in Capital Assets	8,181
Restricted for Specific Purposes	42,516
Unrestricted	<u>26,703</u>
<b>Total Net Position</b>	<u>\$ 77,400</u>

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

A portion of the Township's net position (11%) 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. 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 (55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$26,703 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. The same situation held true for the prior fiscal year.

Henderson Township's overall net position increased by \$3,785 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

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

	<u>Governmental Activities</u>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 5,440
Operating Grants and Contributions	1,169
<b>General Revenues</b>	
Taxes	11,690
State Grant	12,105
Interest Earnings	3
Other	<u>3,856</u>
<b>Total Revenues</b>	<u>34,263</u>
<b><u>Expenses</u></b>	
General Government	24,613
Public Safety	1,600
Other Functions	<u>4,265</u>
<b>Total Expenses</b>	<u>30,478</u>
Change in Net Position	3,785
<u>NET POSITION</u> - Beginning of Year	<u>73,615</u>
<u>NET POSITION</u> - End of Year	<u>\$ 77,400</u>

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

**Governmental Activities**

A significant portion of the revenue for all governmental activities of Henderson Township comes from property taxes. The Township levied 0.8010 mills for general operating purposes, and 1.000 for fire protection, which can also be used for general operating purposes. State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$24,613.

**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 Henderson 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, Henderson Township's governmental fund reported a fund balance of \$69,219, an increase of \$5,260 in comparison with the prior year. Approximately 33% of this amount (\$23,154) 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, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$42,516), 4) committed for particular purposes, or 5) assigned for particular purposes (\$3,549).

**General Fund** – The General Fund increased its fund balance by \$5,060 which brings the fund balance to \$67,245. \$23,154 of the General Fund's fund balance is unassigned, \$3,549 is assigned for the subsequent year's budget shortfall, and \$40,542 is restricted for road maintenance and right-of-way. The main reason for the increase is the decreased expenditures and increased revenues.

**Cemetery Fund** – The Cemetery Fund increased its fund balance by \$200, which brings the fund balance to \$1,974. This balance is restricted and must be used for cemetery expenditures. The increase is due to increased burial fees.

**General Fund Budgetary Highlights**

During the year, there were changes in appropriations between the original budget and final amended budget.

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

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	\$ 15,665	\$ 15,665	\$ 28,393
Total Expenditures	\$ 22,780	\$ 23,855	\$ 20,833

The main reason for the difference between the original and final budget is the Township had more maintenance expenditures than expected. The actual expenditures are less than the final budget due to the Township spending less in other areas of their budget.

**Capital Assets**

**Capital Assets** The Township's investment in capital assets for the governmental activities as of March 31, 2014, amounted to \$8,181 net of accumulated depreciation.

Capital assets of the Township include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Township has invested in a broad range of capital assets, as detailed below:

**Henderson Township**  
**Capital Assets as of March 31, 2014**

	<b><u>Governmental Activities</u></b>
Building and Land Improvements	\$ 30,204
Equipment	9,600
	<u>39,804</u>
Less: Accumulated Depreciation	<u>(31,623)</u>
<b>Net Capital Assets</b>	<b><u>\$ 8,181</u></b>

**Economic Condition and Outlook**

State-shared revenue has started to stabilize. The Township is so small that the revenues and expenditures are expected to remain the same.

This factor was considered in preparing the Township's budgets for the 2014-15 fiscal year.

**Request for Information**

This financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the financial resources entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to Henderson Township, 10128 S. 17 Road, Cadillac, Michigan 49601.

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION  
MARCH 31, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 66,776
Receivables	
Taxes	681
External Parties (Fiduciary Funds)	9
Due from Other Governments	<u>2,777</u>
Total Current Assets	<u>70,243</u>
<u>CAPITAL ASSETS</u>	
Building and Land Improvements	30,204
Equipment	<u>9,600</u>
	39,804
Less Accumulated Depreciation	<u>31,623</u>
Net Capital Assets	<u>8,181</u>
Total Assets	<u>78,424</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Liabilities	<u>1,024</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	8,181
Restricted for Road Maintenance and Right-of-Way	40,542
Restricted for Cemetery	1,974
Unrestricted	<u>26,703</u>
TOTAL NET POSITION	<u>\$ 77,400</u>

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

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 24,613	\$ 5,440	\$ 0	\$ 0	\$ (19,173)
Public Safety	1,600	0	0	0	(1,600)
Public Works	0	0	1,169	0	1,169
Other Functions	4,265	0	0	0	(4,265)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 30,478</b>	<b>\$ 5,440</b>	<b>\$ 1,169</b>	<b>\$ 0</b>	<b>(23,869)</b>
<u>GENERAL REVENUES</u>					
Taxes					11,690
State Grants					12,105
Interest Earnings					3
Other					3,856
Total General Revenues					27,654
Change in Net Position					3,785
<u>NET POSITION</u> - Beginning of Year					73,615
<u>NET POSITION</u> - End of Year					\$ 77,400

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

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2014

	GENERAL FUND	CEMETERY FUND	TOTALS
<u>ASSETS</u>			
Cash	\$ 64,802	\$ 1,974	\$ 66,776
Taxes Receivable	681	0	681
Due from Other Governments	2,777	0	2,777
Due from Other Funds	9	0	9
<b>TOTAL ASSETS</b>	<b>\$ 68,269</b>	<b>\$ 1,974</b>	<b>\$ 70,243</b>
 <u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Payroll Liabilities	\$ 1,024	\$ 0	\$ 1,024
 <u>FUND BALANCE</u>			
Restricted for:			
Road Maintenance and Right-of-Way	40,542	0	40,542
Cemetery	0	1,974	1,974
Assigned for Subsequent Year's Budget Shortfall	3,549	0	3,549
Unassigned	23,154	0	23,154
<b>Total Fund Balance</b>	<b>67,245</b>	<b>1,974</b>	<b>69,219</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 68,269</b>	<b>\$ 1,974</b>	<b>\$ 70,243</b>

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

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
MARCH 31, 2014

Total Fund Balance for Governmental Funds	\$	69,219
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.		
Building and Land Improvements	\$	30,204
Equipment		9,600
Accumulated Depreciation		(31,623)
		<hr/> 8,181
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<hr/> <hr/> 77,400

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



HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

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

	GENERAL FUND	CEMETERY FUND	TOTALS
<u>REVENUES</u>			
Taxes	\$ 11,690	\$ 0	\$ 11,690
State Grants	13,054	0	13,054
Federal Grants	220	0	220
Contribution from Local Units	0	2,500	2,500
Charges for Services	0	3,370	3,370
Interest and Rents	2,073	0	2,073
Other Revenues	1,356	0	1,356
Total Revenues	<u>28,393</u>	<u>5,870</u>	<u>34,263</u>
<u>EXPENDITURES</u>			
General Government	14,968	8,170	23,138
Public Safety	1,600	0	1,600
Other Functions	4,265	0	4,265
Total Expenditures	<u>20,833</u>	<u>8,170</u>	<u>29,003</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,560</u>	<u>(2,300)</u>	<u>5,260</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	2,500	2,500
Transfers Out	(2,500)	0	(2,500)
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>2,500</u>	<u>0</u>
Net Change in Fund Balance	5,060	200	5,260
<u>FUND BALANCE</u> - Beginning of Year	<u>62,185</u>	<u>1,774</u>	<u>63,959</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 67,245</u>	<u>\$ 1,974</u>	<u>\$ 69,219</u>

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

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 5,260
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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	<u>(1,475)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,785</u></u>
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The accompanying notes are an integral part of the financial statements.

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2014

	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$          9
<u>LIABILITIES</u>	
Due to Other Funds	<u>                  9</u>
<u>NET POSITION</u>	<u><u>                  0</u></u>

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

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, 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. Henderson Township does not have any *business-type activities* or *component units*.

**B. Reporting Entity**

Henderson Township is a general law township located in Wexford County which operates under the direction of an elected township board.

Blended Component Unit The Henderson and South Branch Township Joint Cemetery Association was established to provide the improvement and maintenance of the cemetery and is funded by contributions from both Townships. The Association is reported as a special revenue fund.

**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.

Henderson 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 *Cemetery Fund* accounts for revenue sources that are legally restricted to expenditures for cemetery operations and improvements.

HENDERSON TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2014

Additionally, Henderson 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.

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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 "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 11, 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.

**2. Excess of Expenditures Over Appropriations**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Assessor	\$ 3,170	\$ 3,219
Clerk	2,076	2,108
Board of Review	450	645
Treasurer	2,076	2,108

These overages were covered by available fund balance and greater than anticipated revenues.

**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.

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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.

**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 \$1,000 (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 primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

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

**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.

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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 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.



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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 addition 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.

**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. Some 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 Henderson Township totaled \$6,488,850, on which ad valorem taxes levied consisted of 0.8010 mills for Henderson Township operating purposes and 1.000 mills for fire protection and general operating purposes. The levies raised approximately \$11,685 for general operating purposes and fire protection.

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NOTES TO FINANCIAL STATEMENTS  
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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Violations of Legal or Contractual Provisions**

Note I.F.2, on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2014.

**III. 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 \$69,707 was exposed to custodial credit risk because it was uninsured and uncollateralized. 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.

**B. Receivables**

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

	<u>General</u>
Receivables	
Taxes	\$ 681
Intergovernmental	<u>2,777</u>
	<u>\$ 3,458</u>

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.

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**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, being depreciated				
Building and Land Improvements	\$ 30,204	\$ 0	\$ 0	\$ 30,204
Equipment	9,600	0	0	9,600
Total capital assets, being depreciated	39,804	0	0	39,804
Less accumulated depreciation for:				
Building and Land Improvements	24,388	515	0	24,903
Equipment	5,760	960	0	6,720
Total accumulated depreciation	30,148	1,475	0	31,623
Governmental activities capital assets, net	\$ 9,656	\$ (1,475)	\$ 0	\$ 8,181

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

Governmental activities	
General Government	\$ 1,475

**D. Interfund Receivables, Payables and Transfers**

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

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ 9	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	9
	\$ 9	\$ 9

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.

The General Fund transferred \$2,500 to the Cemetery Fund for its annual support.

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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.

**E. 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.

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REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	<u>GENERAL FUND</u>			<u>CEMETERY 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	\$ 2,250	\$ 2,250	\$ 11,690	\$ 0	\$ 0	\$ 0
State Grants	13,000	13,000	13,054	0	0	0
Federal Grants	0	0	220	0	0	0
Contribution from Local Units	0	0	0	2,500	2,500	2,500
Charges for Services	0	0	0	2,700	2,700	3,370
Interest and Rents	415	415	2,073	0	0	0
Other Revenues	0	0	1,356	0	0	0
Total Revenues	<u>15,665</u>	<u>15,665</u>	<u>28,393</u>	<u>5,200</u>	<u>5,200</u>	<u>5,870</u>
<u>EXPENDITURES</u>						
General Government						
Township Board	2,512	2,512	2,326	0	0	0
Supervisor	1,516	1,516	1,516	0	0	0
Assessor	3,170	3,170	3,219	0	0	0
Clerk	2,076	2,076	2,108	0	0	0
Board of Review	450	450	645	0	0	0
Treasurer	2,076	2,076	2,108	0	0	0
Elections	1,500	1,500	606	0	0	0
Building and Grounds	2,400	3,225	2,440	0	0	0
Cemetery	0	0	0	7,750	8,670	8,170
Public Safety						
Fire Protection	2,500	2,500	1,600	0	0	0
Other Functions						
Insurance and Bonds	3,755	3,755	3,753	0	0	0
Employee Benefits	825	1,075	512	0	0	0
Total Expenditures	<u>22,780</u>	<u>23,855</u>	<u>20,833</u>	<u>7,750</u>	<u>8,670</u>	<u>8,170</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>(7,115)</u>	<u>(8,190)</u>	<u>7,560</u>	<u>(2,550)</u>	<u>(3,470)</u>	<u>(2,300)</u>
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	0	0	0	2,500	2,500	2,500
Transfers Out	(2,500)	(2,500)	(2,500)	0	0	0
Total Other Financing Sources (Uses)	<u>(2,500)</u>	<u>(2,500)</u>	<u>(2,500)</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Net Change in Fund Balance	(9,615)	(10,690)	5,060	(50)	(970)	200
<u>FUND BALANCE</u> - Beginning of Year	<u>36,976</u>	<u>36,976</u>	<u>62,185</u>	<u>1,126</u>	<u>1,807</u>	<u>1,774</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 27,361</u>	<u>\$ 26,286</u>	<u>\$ 67,245</u>	<u>\$ 1,076</u>	<u>\$ 837</u>	<u>\$ 1,974</u>





