

HENRIETTA TOWNSHIP
JACKSON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2013

HENRIETTA TOWNSHIP
FINANCIAL STATEMENTS
JUNE 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Township Board
Henrietta Township
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Henrietta Township, State of Michigan, as of and for the year ended June 30, 2013, 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 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.

Henrietta Township

Opinions

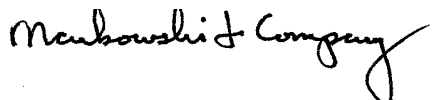
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Henrietta Township, State of Michigan, as of June 30, 2013, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 23-28 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.

Yours truly,



MARKOWSKI & COMPANY, CPAs
December 30, 2013

Management's Discussion and Analysis

Using this Annual Report

As management of Henrietta Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Henrietta Township for the fiscal year ended June 30, 2013.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net position decreased by \$60,524 from a year ago primarily as a result of an agreement to pave the industrial park after the remaining lots were sold. A substantial portion of the Township's net assets (35%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and payments for road construction) net of related debt. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

In a condensed format, the table below shows the net position as of the current date:

	Governmental Activities	
	June 30, 2013	June 30, 2012
Current Assets	\$ 828,974	\$ 898,523
Noncurrent Assets	282,682	283,660
Total Assets	1,111,656	1,182,183
Current Liabilities	25,121	35,124
Net Position		
Invested in Capital Assets - Net of Debt	282,682	283,660
Unrestricted	803,853	863,399
Total Net Position	\$ 1,086,535	\$ 1,147,059

Management's Discussion and Analysis

The Township as a Whole (Continued)

The following table shows the changes of the net position as of the current date:

	Governmental Activities	
	June 30, 2013	June 30, 2012
Program Revenues		
Charges for Services	\$ 106,767	\$ 102,201
Operating Grants and Contributions	-	5,165
General Revenues		
Property Taxes	128,192	134,980
State-Shared Revenues	350,193	346,384
Interest Income	2,275	3,305
Franchise Fees	15,979	9,069
Other Income	118,056	91
Total Revenues	721,462	601,195
Program Expenses		
Legislative	61,236	60,239
General Government	449,382	231,911
Public Safety	231,869	231,808
Public Works	6,552	6,362
Depreciation and amortization	32,947	33,102
Total Expenses	781,986	563,422
Change in Net Position	\$ (60,524)	\$ 37,773

Government Activities

The Township's total governmental revenues increased by \$120,267. This increase was primarily due to the sale of the remaining industrial park lots to an existing manufacturer. Property taxes decreased by \$6,788 as property values continued to decline. The Township monitors its budget and expenditures closely in order to control costs. Each department is involved in the budgeting and planning process and fully understands that a budget is a plan that is adjustable. Each department's budget and expenditures are reviewed monthly with the department heads and management. Total expenses increased by \$218,564, as a result of paving the industrial park at a cost of \$193,266.

Management's Discussion and Analysis

The Township's Fund

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased \$64,245. Total expenditures in the General Fund were \$785,707 in the current year, with \$721,462 in total revenues.

General Fund Budgetary Highlights

The initial budget was well planned and reviewed by each department and the board. Monthly and quarterly budget meetings are held, and amendments are made as needed. The original budget adopted for the Township's General Fund projected a \$142,815 decrease in fund balance. As the year progressed, and actual events took place, amendments were adopted to reflect the changing financial picture. The amended budget projected a \$144,290 decrease in fund balance.

Capital Asset and Debt Administration

At the end of 2013, the Township had \$195,930 invested in a broad range of capital assets (net of accumulated depreciation), including buildings and fire equipment. In addition, the Township has invested \$86,752 (net of amortization) in roads within the Township since 2004 when these investments were required to be reported as intangible assets. These assets are not reported in the Township's capital financial statements because of Michigan law, which makes these roads the property of the County Road Commission.

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The Township continues to budget for an uncertain economy for 2014 and 2015. Revenues from property taxes and state shared revenues have seemed to bottom out and are slowly improving. Each department is involved in budgeting. Management continues to research new ways to control expenditures. Due to the Township's concerns with the longevity of our current township office rental from Stockbridge School District and the rising cost of fire apparatus, Henrietta Township Board of Trustees has been investigating and will pursue a bond proposal to help offset the cost of our future upgrades. We will be asking our residents in May of 2014 to support a bond proposal. The primary purpose of the bond proposal is to build a new township fire station behind the current station on property the Township owns. This would give the Township the ability to remodel the current fire station with an addition into new Township offices on a centralized campus.

The Township will also ask our residents to support the purchase of a new 2500 gallon fire tanker. The Township's goal is to lower the ISO rating in the Township from a 9 to an 8. This would save the residents of Henrietta Township approximately 20% on their home owner's insurance premiums. The Clerk, Treasurer and Assessing office updated the computer software system in the first half of 2013. The entire Township office is now utilizing this software.

The Township continues to apply for grants for needed equipment and facility improvements. The Township planning commission has finished and approved the Township master plan thru 2018.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office located at 11120 Musbach Road, Munith, MI 49259.

HENRIETTA TOWNSHIP
JACKSON COUNTY, MICHIGAN
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

HENRIETTA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 509,093
Investments	173,676
Accounts receivable	32,351
Due from other governments	113,854
Total current assets	<u>828,974</u>
NONCURRENT ASSETS:	
Land	3,500
Buildings and improvements	311,294
Office equipment	87,062
Equipment	277,874
Vehicles	458,242
Less - Accumulated depreciation	(942,042)
Net property and equipment	<u>195,930</u>
Intangible asset - road construction	86,752
Total noncurrent assets	<u>282,682</u>
Total assets	<u>1,111,656</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	13,847
Accrued payroll	11,093
Accrued expenses	181
Total current liabilities	<u>25,121</u>
NET POSITION:	
Invested in capital assets - net of related debt	282,682
Unrestricted	803,853
Total net position	<u>\$ 1,086,535</u>

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

HENRIETTA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Legislative	\$ 61,236	\$ -	\$ -	\$ -	\$ (61,236)
General government	449,382	79,200	-	-	(370,182)
Public safety	231,869	21,915	-	-	(209,954)
Public works	6,552	5,652	-	-	(900)
Depreciation & amortization	32,947	-	-	-	(32,947)
Total governmental activities	<u>781,986</u>	<u>106,767</u>	<u>-</u>	<u>-</u>	<u>(675,219)</u>
General revenues					
Property taxes					128,192
State-shared revenues					350,193
Interest income					2,275
Franchise fees					15,979
Other income					118,056
Total general revenues					<u>614,695</u>
Change in net position					(60,524)
Net position - Beginning					1,147,059
Net position - Ending					<u>\$ 1,086,535</u>

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

HENRIETTA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

	<u>GENERAL FUND</u>
ASSETS	
Cash and cash equivalents	\$ 509,093
Investments	173,676
Accounts receivable	2,767
Due from other governments	113,854
Due from other funds	<u>29,584</u>
Total assets and other debits	<u><u>\$ 828,974</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 13,847
Accrued payroll	11,093
Accrued expenses	<u>181</u>
Total liabilities	<u><u>25,121</u></u>
FUND BALANCES	
Assigned for Capital Improvements	463,496
Unassigned	<u>340,357</u>
Total fund balance	<u><u>803,853</u></u>
Total liabilities, fund equity and other credits	<u><u>\$ 828,974</u></u>

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

HENRIETTA TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - total governmental funds	\$ 803,853
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Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet. For purposes of this reconciliation, capital assets are netted with accumulated depreciation.	195,930
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The Township has entered into a road agreement with the County Road Commission. The Township does not own or maintain these roads, and therefore they are not reported in the governmental funds balance sheet. Amount shown is net of related amortization.	<u>86,752</u>
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Net position of governmental activities	<u><u>\$ 1,086,535</u></u>
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The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	<u>GENERAL FUND</u>
REVENUES:	
Taxes and penalties	\$ 128,192
Franchise fee	15,979
Licenses and permits	18,512
Fees and fines	10,516
Intergovernmental	350,193
Charges for services	46,515
Interest income	2,275
Other revenue	149,280
Total revenues	<u>721,462</u>
EXPENDITURES:	
Legislative	61,236
General government	459,869
Public safety	258,050
Public works	6,552
Total expenditures	<u>785,707</u>
Net change in fund balance	(64,245)
FUND BALANCE - Beginning of year	<u>868,098</u>
FUND BALANCE - End of year	<u><u>\$ 803,853</u></u>

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

HENRIETTA TOWNSHIP**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ (64,245)

Amounts reported for governmental activities in the statement of activities
are different because:

Government funds report capital outlay as expenditures. However, in the
government-wide statement of activities and changes in net position, the
cost of those assets is allocated over their estimated useful lives as
depreciation expense. This is the amount of capital assets recorded in
the current period. 32,412

Depreciation expense on capital assets is reported in the government-wide
statement of activities and changes in net position, but they do not require
the use of current financial resources. Therefore, depreciation expense is not
reported as an expenditure in governmental funds. (26,206)

Disposal of fixed assets. (443)

Amortization expense on intangible assets is reported in the government-wide
statement of activities and changes in net position, but they do not require
the use of current financial resources. Therefore, amortization expense is not reported
as an expenditure in governmental funds. (6,741)

Earned leave expenses reported in the statement of activities do not require
the use of current financial resources, therefore, are not reported as expenditures
in the governmental fund. 4,699

Change in net position of governmental activities \$ (60,524)

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

HENRIETTA TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and cash equivalents	<u>\$ 39,246</u>
 LIABILITIES	
Due to other funds	\$ 29,584
Due to other governments	595
Due to others	<u>9,067</u>
Total liabilities	<u>\$ 39,246</u>

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

HENRIETTA TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2013

HENRIETTA TOWNSHIP
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JUNE 30, 2013

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HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The accounting methods and procedures adopted by Henrietta Township conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by Henrietta Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS -

Henrietta Township is a general law township and is located in Jackson County, Michigan. The Township operates under an elected Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to approximately 4,400 residents in many areas including fire and police protection, roads and streets, public interests, planning and zoning, and general administrative services.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of Henrietta Township include its primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Township, such as the school district, are not included in the financial statements of the Township.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS -

The government-wide financial statements report information on all of the nonfiduciary activities of Henrietta Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

- Agency funds account for assets held by the Township in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.
- The Delinquent Tax Fund accounts for delinquent taxes and other fees collected to be distributed to the General Fund.
- The Tax Revenue Fund accounts for property tax collections to be distributed to the Township General Fund.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

- The Fire Explosion Fund accounts for amounts collected from casualties and losses to ensure that the proper township ordinances are enforceable.

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

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

E. CASH AND CASH EQUIVALENTS -

The Township has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in certificates of deposit. Certificates that mature within 90 days have liquidity similar to a regular checking account; they are presented as a cash equivalent in the financial statements. Certificates with a maturity of greater than 90 days are considered investments for financial statement purposes.

F. RECEIVABLES -

Henrietta Township records accounts receivable for amounts due from the State of Michigan for State Shared revenue, and other amounts in the General Fund.

G. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

H. CAPITAL ASSETS -

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township capitalizes assets with lives greater than 1 year and a cost of greater than \$1,000.

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

Buildings	40 years
Building improvements	15 to 30 years
Vehicles and equipment	3 to 10 years

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. INTANGIBLE ASSETS -

The Township entered into an agreement with the County Road Commission to construct and maintain roads within the Township. The Township does not maintain custody of the roads, but does share in the construction costs. The resources used in the construction of the roads are recorded as intangible assets and amortized over a period of 10 to 30 years in the government-wide financial statements.

J. FUND EQUITY -

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Township Board. A formal resolution of the Township Board is required to establish, modify, or rescind a fund balance commitment. The Township reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

K. LONG TERM OBLIGATIONS -

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities.

L. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION

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

The budget document presents information by fund, function, department and line item. The legal level of budgetary control adopted by the governing body is the department level.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

FUND/DEPARTMENT	FINAL AMENDED BUDGET	ACTUAL	(EXCESS BUDGET VARIANCE)
GENERAL FUND			
Township Clerk	\$ 54,395	\$ 54,840	\$ (445)
Township Treasurer	49,425	50,311	(886)
Building Inspections	31,600	33,858	(2,258)
Plumbing-Mechanical Inspections	3,400	3,670	(270)
	\$ 138,820	\$ 142,679	\$ (3,859)

NOTE 3 - PROPERTY TAXES:

The Township property taxes are levied annually on December 1st. Payment is due by the last day of the following February. For fiscal year 2013, the Township levied an operating tax. The operating tax is levied on the taxable valuation of real and personal property located within the Township on the preceding December 31st. For the 2012 levy collected in fiscal year 2013, the taxable value was \$117,361,895. The operating tax levied was 0.7818 mills (\$.7818 per \$1,000 of the taxable value).

NOTE 4 - CASH AND INVESTMENTS:

The Township Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Township.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CASH AND INVESTMENTS: (Continued)

Cash and cash equivalents of the Township can be categorized as follows:

	<u>Carrying Amount</u>
Cash and cash equivalents:	
Insured (FDIC)	\$ 528,581
Uninsured and uncollateralized	19,758
	<u>\$ 548,339</u>
Reported in the financial statements:	
Governmental funds	\$ 509,093
Fiduciary funds	39,246
	<u>\$ 548,339</u>

The Township investments consist of certificates of deposit with a maturity of greater than 90 days. The Township has chosen to disclose its investments by specifically identifying each. As of June 30, 2013, the Township had the following investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Market Value</u>	<u>Rating</u>
Certificates of Deposit - Insured	12/29/13	\$ 89,406	S&P-AAA
Certificates of Deposit - Insured	12/28/13	40,873	S&P-AAA
Certificates of Deposit - Uninsured	12/28/13	43,397	S&P-AAA
Total Investments		<u>\$ 173,676</u>	

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township minimizes this risk by holding investments to maturity.

Concentration of Credit Risk

The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CASH AND INVESTMENTS: (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investments that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2013, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Fire explosion	\$ 196
	-	Tax Revenues	29,388
Total	<u>\$ 29,584</u>	Total	<u>\$ 29,584</u>

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Capital asset activity of Henrietta Township for the current year was as follows:

	<u>7/1/2012</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>6/30/2013</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Subtotal	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Capital assets being depreciated				
Buildings and improvements	307,370	3,924	-	311,294
Equipment	266,595	13,051	1,772	277,874
Office equipment	78,725	15,437	7,100	87,062
Vehicles	458,242	-	-	458,242
Subtotal	<u>1,110,932</u>	<u>32,412</u>	<u>8,872</u>	<u>1,134,472</u>
Less accumulated depreciation for				
Buildings and improvements	237,728	5,030	-	242,758
Machinery and equipment	201,361	13,792	1,685	213,468
Office equipment	67,959	3,358	6,744	64,573
Vehicles	417,217	4,026	-	421,243
Subtotal	<u>924,265</u>	<u>26,206</u>	<u>8,429</u>	<u>942,042</u>
Net capital assets being depreciated	<u>186,667</u>	<u>6,206</u>	<u>443</u>	<u>192,430</u>
Governmental activities				
Total Capital assets -				
Net of depreciation	<u>\$ 190,167</u>	<u>\$ 6,206</u>	<u>\$ 443</u>	<u>\$ 195,930</u>

Depreciation expense for governmental activities: \$ 26,206.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - EMPLOYEES' PENSION PLAN:

The Township contributes to a defined contribution pension plan, administered by an investment company, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Township both vest immediately. The Township is required to contribute an amount equal to 8% of the employee's gross earnings, excluding any overtime earnings.

During the year ending June 30, 2013, the Township's required contributions amounted to \$6,702.

NOTE 8 - BUILDING PERMITS:

The Township complied with requirements to account for building permits and the related costs by establishing a department within the General Fund. Revenues for the year were \$18,412 and the expenditures were \$40,836 as follows:

Revenues:	
Building permits	\$ 10,852
Electrical permits	3,010
Plumbing permits	1,470
Mechanical permits	3,080
Total	<u>18,412</u>
Expenditures:	
Building inspections	33,858
Electrical inspections	3,308
Plumbing-Mechanical inspections	3,670
Total	<u>40,836</u>
Expenditures in excess of revenues	<u><u>\$ (22,424)</u></u>

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims.

HENRIETTA TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes				
Current property taxes	\$ 89,100	\$ 90,247	\$ 92,890	\$ 2,643
Delinquent personal property	150	150	62	(88)
Administrative fees	33,500	33,500	33,612	112
Penalties and interest	1,600	1,600	1,628	28
Total	<u>124,350</u>	<u>125,497</u>	<u>128,192</u>	<u>2,695</u>
Franchise fees	<u>9,000</u>	<u>10,496</u>	<u>15,979</u>	<u>5,483</u>
Licenses and permits				
Building permits	10,000	10,000	10,852	852
Electrical permits	2,500	2,730	3,010	280
Plumbing permits	1,000	1,330	1,470	140
Mechanical permits	3,000	3,000	3,080	80
Other permits	100	100	100	-
Total	<u>16,600</u>	<u>17,160</u>	<u>18,512</u>	<u>1,352</u>
Fees and fines				
Site plan review	1,000	1,000	1,040	40
Land division fees	500	1,000	1,136	136
Tax collection fees	9,000	9,000	7,113	(1,887)
Other fees and fines	1,000	1,000	1,227	227
Total	<u>11,500</u>	<u>12,000</u>	<u>10,516</u>	<u>(1,484)</u>
Intergovernmental				
Sales tax	340,000	341,737	346,128	4,391
State metro act	3,500	3,500	4,065	565
Total	<u>343,500</u>	<u>345,237</u>	<u>350,193</u>	<u>4,956</u>
Charges for services				
Street lights	5,500	5,500	5,652	152
Transfer station	43,000	43,000	40,863	(2,137)
Total	<u>48,500</u>	<u>48,500</u>	<u>46,515</u>	<u>(1,985)</u>
Interest income	<u>500</u>	<u>500</u>	<u>2,275</u>	<u>1,775</u>
Other revenue				
Rents	7,200	7,200	7,200	-
Reimbursements	16,700	20,680	24,024	3,344
Contributions	-	2,560	-	(2,560)
Sale of lots - industrial park	89,000	89,000	89,188	188
Miscellaneous	1,200	1,200	28,868	27,668
Total	<u>114,100</u>	<u>120,640</u>	<u>149,280</u>	<u>28,640</u>
TOTAL REVENUES	<u>\$ 668,050</u>	<u>\$ 680,030</u>	<u>\$ 721,462</u>	<u>\$ 41,432</u>

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

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	6,180	-
Employees' social security	-	-	473	-
Employees' health insurance	-	-	19,223	-
Memberships	-	-	2,923	-
Professional services	-	-	939	-
Training, education and seminars	-	-	149	-
Office supplies	-	-	239	-
Printing	-	-	363	-
Insurance	-	-	24,715	-
Cemetery contributions	-	-	4,100	-
Community promotion	-	-	1,500	-
Miscellaneous	-	-	432	-
TOTAL LEGISLATIVE	63,300	66,300	61,236	5,064
GENERAL GOVERNMENT:				
SUPERVISOR:				
Salaries and wages	-	-	15,862	-
Employees' social security	-	-	1,213	-
Training, education and seminars	-	-	348	-
Office supplies	-	-	259	-
Telephone	-	-	910	-
Travel	-	-	194	-
Memberships	-	-	40	-
Miscellaneous	-	-	498	-
Total	18,525	19,550	19,324	226
ELECTIONS:				
Salaries and wages	-	-	5,637	-
Employees' social security	-	-	12	-
Office supplies	-	-	736	-
Postage	-	-	1,206	-
Professional services	-	-	2,771	-
Training, education and seminars	-	-	430	-
Printing	-	-	235	-
Repairs and maintenance	-	-	211	-
Capital outlay	-	-	1,012	-
Total	13,450	13,450	12,250	1,200

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

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
TOWNSHIP CLERK:				
Salaries and wages	-	-	29,292	-
Employees' social security	-	-	2,064	-
Employees' health insurance	-	-	3,814	-
Retirement contribution	-	-	825	-
Memberships	-	-	115	-
Professional services	-	-	4,625	-
Office supplies	-	-	507	-
Postage	-	-	386	-
Telephone	-	-	918	-
Printing	-	-	922	-
Training, education and seminars	-	-	1,984	-
Repairs and maintenance	-	-	4,069	-
Travel	-	-	467	-
Miscellaneous	-	-	1,677	-
Capital outlay	-	-	3,175	-
Total	49,295	54,395	54,840	(445)
ASSESSING:				
Salaries and wages	-	-	42,695	-
Employees' social security	-	-	2,924	-
Employees' health insurance	-	-	3,814	-
Retirement contribution	-	-	575	-
Memberships	-	-	225	-
Office supplies	-	-	416	-
Telephone	-	-	334	-
Printing	-	-	1,568	-
Training, education and seminars	-	-	1,389	-
Repairs and maintenance	-	-	2,447	-
Travel	-	-	830	-
Capital outlay	-	-	3,555	-
Total	59,120	61,670	60,772	898
BOARD OF REVIEW:				
Salaries and wages	-	-	1,541	-
Employees' social security	-	-	39	-
Office supplies	-	-	94	-
Training, education and seminars	-	-	79	-
Travel	-	-	419	-
Miscellaneous	-	-	150	-
Total	3,000	3,000	2,322	678

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

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
TOWNSHIP TREASURER:				
Salaries and wages	-	-	28,382	-
Employees' social security	-	-	2,171	-
Employees' health insurance	-	-	3,814	-
Retirement contribution	-	-	575	-
Training, education and seminars	-	-	860	-
Insurance	-	-	689	-
Professional services	-	-	4,625	-
Office supplies	-	-	739	-
Postage	-	-	2,279	-
Telephone	-	-	348	-
Repairs and maintenance	-	-	2,864	-
Travel	-	-	154	-
Miscellaneous	-	-	66	-
Capital outlay	-	-	2,745	-
Total	47,225	49,425	50,311	(886)
TOWNSHIP HALL AND GROUNDS:				
Repairs and maintenance	-	-	18,455	-
Professional services	-	-	4,269	-
Utilities	-	-	7,409	-
Miscellaneous	-	-	100	-
Capital outlay	-	-	193,266	-
Total	228,250	226,850	223,499	3,351
TRANSFER STATION:				
Salaries and wages	-	-	11,724	-
Employees' social security	-	-	930	-
Professional services	-	-	1,290	-
Garbage removal	-	-	21,562	-
Office supplies	-	-	33	-
Utilities	-	-	381	-
Repairs and maintenance	-	-	580	-
Miscellaneous	-	-	51	-
Total	47,940	47,940	36,551	11,389
TOTAL GENERAL GOVERNMENT	466,805	476,280	459,869	16,411

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

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
PUBLIC SAFETY:				
FIRE DEPARTMENT:				
Salaries and wages	-	-	96,965	-
Employees' social security	-	-	7,220	-
Employees' health insurance	-	-	19,457	-
Retirement contribution	-	-	4,098	-
Memberships	-	-	1,130	-
Professional services	-	-	6,617	-
Office supplies	-	-	269	-
Gas and oil	-	-	3,162	-
Clothing allowance	-	-	2,238	-
Operating supplies	-	-	4,424	-
Telephone	-	-	2,312	-
Repairs and maintenance	-	-	2,421	-
Equipment repairs and maintenance	-	-	5,290	-
Vehicle repairs and maintenance	-	-	16,835	-
Training, education and seminars	-	-	973	-
Utilities	-	-	7,105	-
Small equipment	-	-	4,132	-
Capital Outlay	-	-	16,975	-
Total	222,060	216,960	201,623	15,337
ORDINANCE ENFORCEMENT:				
Salaries and wages	-	-	1,793	-
Employees' social security	-	-	137	-
Professional services	-	-	77	-
Office supplies	-	-	3	-
Telephone	-	-	298	-
Repairs and maintenance	-	-	238	-
Travel	-	-	487	-
Total	3,400	3,400	3,033	367
BUILDING INSPECTIONS:				
Salaries and wages	-	-	19,038	-
Employees' social security	-	-	1,456	-
Employees' health insurance	-	-	3,814	-
Retirement contribution	-	-	628	-
Office supplies	-	-	795	-
Telephone	-	-	348	-
Repairs and maintenance	-	-	1,450	-
Training, education and seminars	-	-	850	-
Travel	-	-	529	-
Capital Outlay	-	-	4,950	-
Total	26,750	31,600	33,858	(2,258)

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

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
ELECTRICAL INSPECTIONS:				
Salaries and wages	-	-	2,915	-
Employees' social security	-	-	215	-
Training, education and seminars	-	-	79	-
Travel	-	-	99	-
Total	3,100	4,100	3,308	792
PLUMBING-MECHANICAL INSPECTIONS:				
Professional services	-	-	3,230	-
Travel	-	-	440	-
Total	3,400	3,400	3,670	(270)
PLANNING AND ZONING				
Salaries and wages	-	-	8,858	-
Employees' social security	-	-	532	-
Memberships	-	-	1,271	-
Professional services	-	-	383	-
Office supplies	-	-	224	-
Printing	-	-	12	-
Telephone	-	-	284	-
Training, education and seminars	-	-	145	-
Travel	-	-	612	-
Repairs and maintenance	-	-	237	-
Total	15,050	15,280	12,558	2,722
TOTAL PUBLIC SAFETY	273,760	274,740	258,050	16,690
PUBLIC WORKS:				
STREET LIGHTS				
Utilities	7,000	7,000	6,552	448
TOTAL EXPENDITURES	810,865	824,320	785,707	38,613
Net change in fund balance	(142,815)	(144,290)	(64,245)	80,045
FUND BALANCE - Beginning of year	868,098	868,098	868,098	-
FUND BALANCE - End of year	\$ 725,283	\$ 723,808	\$ 803,853	\$ 80,045

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

MARKOWSKI & COMPANY

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FOUNDING PARTNER:

K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA GOVERNMENTAL AUDIT
QUALITY CENTER

Henrietta Township Board
Jackson County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Henrietta Township as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Henrietta Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henrietta Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Henrietta 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Henrietta Township's internal control to be material weaknesses:

Journal Entries

Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. We suggest the Township record accrual entries (recognizing revenues and expenditures in the proper period) to correct this situation.

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

Property Tax Distributions

Property taxes that were collected were remitted in a timely manner; however refunds due for overpayments were not made timely. The Township is working to make these payments. We suggest that a policy and procedure be adopted to make sure overpayments are refunded in a timelier manner.

Segregation of Duties

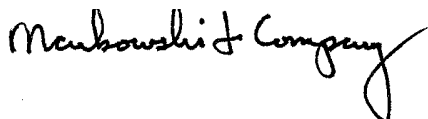
Because of the limited size of Henrietta Township's accounting staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. The Township's board needs to continue to exercise appropriate management oversight to help compensate for the lack of staff. The only corrective action would be to hire additional staff, which is not practical.

Reliance on External Auditors for Certain Control Functions

It is considered a significant deficiency in internal control when a governmental entity relies upon its external auditors as part of its internal control systems. In the Township's case, it relies on the external auditors to prepare year end financial statements required by the State of Michigan.

This is considered a significant deficiency because the Township does not have staff or an independent advisor qualified to ensure the external auditor's work complies with all required standards. To address this, the Township could either improve the staff's knowledge base through continuing education, or hire a CPA independent of its audit firm to review the annual report. The Township believes that from a cost-benefit basis, neither of these solutions makes sense. We concur with this decision.

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



Markowski & Company, CPAs
December 30, 2013

MARKOWSKI & COMPANY

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CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

COMMUNICATION OF AUDITOR/TOWNSHIP RESPONSIBILITY

Township Board
Henrietta Township
Jackson County, Michigan

We have audited the financial statements of the government activities of Henrietta Township for the year ended June 30, 2013, and have issued our report thereon dated December 30, 2013. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated December 20, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by Henrietta Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by Henrietta Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The depreciable lives of the capital assets. We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2013.

Township Board
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Management Consultations with Other Independent Accountants

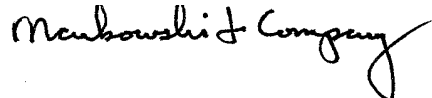
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Henrietta Township’s financial statements or a determination 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 Henrietta 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.

This information is intended solely for the use of the Township and management of Henrietta Township and should not be used for any other purpose.

Very truly yours,

A handwritten signature in black ink, reading "Markowski & Company". The signature is written in a cursive, flowing style.

MARKOWSKI & COMPANY CPAs
December 30, 2013

HENRIETTA TOWNSHIP
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

Policies and Procedures

We recommend that the Township continue to develop its accounting policies and procedures and personnel policies. Clearly stating the acceptable procedures and duties of employees would assist in improving the internal control system of the Township.

Budgeting Procedures

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit of government shall not incur expenditures in excess of the amounts appropriated. As detailed in Note 2 of the financial statements the Township incurred expenditures in excess of amounts appropriated. The Township does have procedures for monitoring and adjusting the budget, the amounts expended in excess of appropriations were in a limited number of departments and not material to the overall financial statements.

.Net Software

The Township utilizes software for financial reporting and other functions. The Township currently is only fully utilizing the software for the general fund. We recommend that the Township begins utilizing the software for all of the Township funds. We also recommend that all agency funds set up checking accounts to further help with this transition so checks can be printed from the software and a general ledger be kept for these funds.