

**HEBRON TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2014

Prepared By:

Richard E. Mahlmeister, CPA, PC
580 South Nicolet, P.O. Box 656
Cheboygan County, MI 49701

HEBRON TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

May 4, 2015

Township Board
Hebron Township
Cheboygan County, Michigan

I have audited the accompanying financial statements of the governmental activities each major fund and the aggregate remaining fund information of **Hebron Township, Cheboygan County, Michigan**, as of and for the year ended March 31 2014, which collectively comprise **Hebron 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of **Hebron Township, Cheboygan County, 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 1 through 5 and 21 through 23 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Richard E. Mahlmeister, CPA". The signature is written in a cursive, flowing style.

Richard E. Mahlmeister, CPA
Richard E. Mahlmeister, CPA, PC

HEBRON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

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.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net position at March 31, 2014 totaled \$238,318 representing a decrease of \$1,892 from the previous fiscal year.

Governmental Fund Highlights

The governmental activities of the Township reported combined ending fund balances of \$125,176, which represents an increase of \$3,030 from the previous fiscal year.

Capital Assets and Long-term Debt

The Township has no debt and no new capital assets were acquired in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

HEBRON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The two Government-wide statements report net position and how they have changed. Net position is the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net position are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General, Fire, and Liquor Law Enforcement Funds.

The comparison of net position of governmental activities from year to year serves to measure a government's financial position:

Hebron Township Net Position March 31,

	GOVERNMENTAL ACTIVITIES	
	2014	2013
Current assets	\$ 125,176	\$ 122,146
Capital assets (net)	<u>113,142</u>	<u>118,064</u>
Total assets	<u>238,318</u>	<u>240,210</u>
Net position:		
Invested in capital assets, net of related debt	113,142	118,064
Restricted	32,640	29,284
Unrestricted	<u>92,536</u>	<u>92,862</u>
	<u>\$ 238,318</u>	<u>\$ 240,210</u>

The most significant portion of the Township's Net Position is the investment in capital assets (e.g. land, buildings and improvements, and equipment), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$92,536 in unrestricted Net Position. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

HEBRON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The following table summarizes the results of the changes in Net Position of the Township:

**Hebron Township
Change in Net Position
March 31,**

	GOVERNMENTAL ACTIVITIES	
	2014	2013
REVENUES:		
General revenues:		
Property taxes	\$ 29,361	\$ 27,473
State-shared revenues	31,085	30,429
Charges for services	96	751
Interest income	307	455
Other	163	1,683
Total Revenues	<u>61,012</u>	<u>60,791</u>
EXPENSES:		
Legislative	9,048	8,290
General government	32,376	34,946
Public safety	8,942	7,931
Public works	8,427	3,183
Other	4,111	2,106
Capital outlay	-	-
Total Expenses	<u>62,904</u>	<u>56,456</u>
Net position:		
Increase (decrease)	(1,892)	4,335
Beginning net position	<u>240,210</u>	<u>235,875</u>
Ending net position	<u>\$ 238,318</u>	<u>\$ 240,210</u>

Governmental Activities

The Township is able to report positive balances in net position. Net position decreased by \$1,892.

All revenues remained stable from the prior year. Expenses also remained stable from the prior year, with the exception of public works, where we spent more in the current year for road maintenance.

HEBRON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains three individual governmental funds; General Fund, Fire Fund and Liquor Law Enforcement Fund; of which the General and Fire Funds are considered major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

Overall the governmental funds had a net increase in fund balance over the prior year. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection. The General Fund decreased its fund balance by \$326, bringing the fund balance to \$92,536; the Special Revenue-Fire Fund increased its fund balance by \$3,356, bringing the fund balance to \$32,640; and the Special Revenue-Liquor Law Enforcement Fund had no increase or decrease and no fund balance.

Capital Assets

At March 31, 2014, the Township's governmental activities had \$167,261 in capital assets (land, buildings and improvements, and equipment).

HEBRON TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS - CONTINUED

Long-Term Debt

No new debt was incurred during the year, nor is there any other long-term debt.

BUDGETARY HIGHLIGHTS

There were no differences between the original and final budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township expects financial aspects of governing to be generally the same as in the current year. However, one area of continuing potential revenue reduction is in state-shared revenues. These monies come from the State of Michigan and are contingent on various economic and political considerations. We believe that we need to continue to strive for a healthy fund balance.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 231.627.6197 (Hebron Township Hall).



Charles Ostwald
Hebron Township Supervisor



Gary Douglas
Hebron Township Clerk



John Douglas
Hebron Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HEBRON TOWNSHIP
STATEMENT OF NET POSITION
MARCH 31, 2014

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$ 67,704
Investments	51,045
Receivables:	
Property taxes	3,517
Due from other governmental units	2,910
Capital assets (net of accumulated depreciation)	<u>113,142</u>
 TOTAL ASSETS	 <u>238,318</u>
 <u>NET POSITION</u>	
Invested in capital assets	113,142
Restricted for public safety	32,640
Unassigned	<u>92,536</u>
 TOTAL NET POSITION	 <u>\$ 238,318</u>

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

HEBRON TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position
				Governmental Activities
				TOTAL
Primary government				
Governmental activities:				
Legislative	\$ 9,048	\$ -	\$ -	(9,048)
General government	32,376	96		(32,280)
Public safety	8,942	-		(8,942)
Public works	8,427	-		(8,427)
Other	4,111	-		(4,111)
Total governmental activities	\$ 62,904	\$ 96		(62,808)
General Revenues				
Property taxes				29,361
State-shared revenues				31,085
Unrestricted interest income				307
Other				163
Total general revenues				60,916
Change in net position				(1,892)
Net position, beginning of year				240,210
Net position, end of year				\$ 238,318

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

FUND FINANCIAL STATEMENTS

HEBRON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2014

	NON-MAJOR				
			FUND		
	GENERAL	FIRE	LIQUOR LAW	TOTAL	
	FUND	FUND	ENFORCEMENT	GOVERNMENTAL	
ASSETS			FUND	FUNDS	
Cash and cash equivalents	\$ 36,474	\$ 31,230	\$ -	\$	67,704
Investments	51,045	-	-		51,045
Taxes receivable	2,107	1,410	-		3,517
Due from other governmental units	2,910	-	-		2,910
TOTAL ASSETS	\$ 92,536	\$ 32,640	\$ -	\$	125,176
FUND BALANCES					
FUND BALANCES					
Restricted for public safety	-	32,640	-		32,640
Unassigned	92,536	-	-		92,536
TOTAL FUND BALANCES	92,536	32,640	-		125,176
TOTAL LIABILITIES					
AND FUND BALANCES	\$ 92,536	\$ 32,640	\$ -	\$	125,176

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

HEBRON TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2014

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net position

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 125,176
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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 financial resources and,
therefore, are not reported in the funds.

Add: capital assets	167,261
Subtract: accumulated depreciation	<u>(54,119)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 238,318</u></u>
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The accompanying notes are an integral part of these financial statements.

HEBRON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

	NON-MAJOR FUND			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	FIRE FUND	LIQUOR LAW ENFORCEMENT FUND	
REVENUES:				
Taxes	\$ 18,363	\$ 10,998	\$ -	\$ 29,361
State shared revenues	30,507	-	578	31,085
Charges for services	96	-	-	96
Interest	299	8	-	307
Other	163	-	-	163
TOTAL REVENUES	49,428	11,006	578	61,012
EXPENDITURES				
Current:				
Legislative	9,048	-	-	9,048
General government	27,454	-	-	27,454
Public safety	-	7,650	1,292	8,942
Public works	8,427	-	-	8,427
Other functions	4,111	-	-	4,111
TOTAL EXPENDITURES	49,040	7,650	1,292	57,982
REVENUES OVER (UNDER) EXPENDITURES	388	3,356	(714)	3,030
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(714)	-	714	-
NET CHANGE IN FUND BALANCES	(326)	3,356	-	3,030
FUND BALANCES, BEGINNING OF YEAR	92,862	29,284	-	122,146
FUND BALANCES, END OF YEAR	\$ 92,536	\$ 32,640	\$ -	\$ 125,176

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

HEBRON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2014

Reconciliation of statement of revenues, expenditures and changes in fund balances of
governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,030
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, those costs
are allocated over their useful lives as annual depreciation expense in the statement
of activities.

Add: capital outlay	-
Subtract: depreciation expense	(4,922)
	<hr/>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<hr/> <hr/> \$ (1,892)
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The accompanying notes are an integral part of these financial statements.

HEBRON TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
MARCH 31, 2014

<u>ASSETS</u>	<u>AGENCY FUND</u>
Cash	<u>\$ -</u>
<u>LIABILITIES</u>	
Due to other funds	<u>-</u>
<u>TOTAL LIABILITIES</u>	<u>-</u>
<u>NET POSITION</u>	
Fiduciary Net Position	<u>\$ -</u>

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

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hebron Township, Cheboygan County, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Hebron Township.

A. Reporting Entity

The Township is governed by an elected five-member Township Board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The township does not have any business type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment 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 are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements: Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. 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 proprietary fund and 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 revenues in the year 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 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 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 claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received by the government.

The Township reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Fire Fund: The Fire Fund is used to account for expenditures related to contracted, township provided, fire service. Financing is provided primarily by a special property tax levy.

The Township reports the following non-major fund:

Liquor Law Enforcement Fund: The Liquor Fund accounts for liquor license fees refunded by the State and utilized for enforcement of the State's liquor laws.

The Township reports the following fiduciary fund:

Trust and Agency Fund: Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments: Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts. Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

Receivables, Payables and Transfers: All receivables are reported at their gross values. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed.

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Receivable from other governments represents various shared revenues, grants, and reimbursements from other governments.

Capital Assets: Capital assets which include property, plant, 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. Capital assets are generally defined by the government as assets with an initial individual cost of \$2,500 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 the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method.

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	15 – 40 years
Equipment	5 - 15 years

Compensated Absences and Post-employment Benefits: There is no accumulated vacation, sick leave, or post-employment benefits to be recognized.

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 statement of net position. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

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

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities, and Net Position or Equity – Continued

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township did not have any nonspendable resources as of March 31, 2014.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Township has restricted resources for public safety, as shown in the body of the financial statements.
- **Committed:** These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Township did not have any committed resources as of March 31, 2014.
- **Assigned:** This classification includes amounts that are constrained by The Township's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township's Board or through the Township Board delegating this responsibility to the management through the budgetary process. The Township did not have any assigned resources as of March 31, 2014.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

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. All annual appropriations lapse at fiscal year end.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgetary Funds: P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated was as follows:

Fund	Appropriations	Expenditures	Variance
GENERAL FUND:			
Legislative	\$ 5,870	\$ 9,048	\$ 3,178
Elections	\$ -	\$ 150	\$ 150
Township property	\$ 1,400	\$ 3,631	\$ 2,231
Highways and streets	\$ 2,400	\$ 8,427	\$ 6,027
Insurance and bonds	\$ 1,800	\$ 2,205	\$ 405
Pension expense	\$ -	\$ 1,296	\$ 1,296

Adoption of Deficit Budget: Public Act 2 of 1968, as amended, provides that a local unit shall adopt a balanced budget whereas budgeted expenditures may not exceed budgeted revenues plus the prior year surplus. Though no deficit spending occurred, during the year ended March 31, 2014, the Township adopted a budget for the Liquor Law Enforcement Fund. Budgeted expenditures exceeded the budgeted revenues plus prior year surplus in the amount of \$714.

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2014, reflected in the accompanying financial statements include property taxes levied December 31, 2013. These taxes are due by February 15, 2014, and are added to the County tax rolls after February 28, 2014. The Township receives 100% payment for the delinquent tax by June, 2014.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PROPERTY TAX - CONTINUED

The taxable value of the Township totaled \$12,409,985, on which ad valorem taxes consisted of .9837 mills for the Township's operating purposes and .8189 mills for fire protection, raising \$13,212 for operating purposes and \$10,998 for fire protection.

NOTE 4: DEPOSITS AND INVESTMENTS

Statutory Authority: Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorize investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority

The caption on the statement of net position relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$ 67,704
Investments (certificates of deposit)	<u>51,045</u>
	<u><u>\$118,749</u></u>

Interest Rate Risk: State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

Custodial Credit Risk: At year-end the carrying amounts of the deposits did not exceed \$250,000 and, therefore, are covered by the Federal Deposit Insurance Corporation (FDIC). The Township may experience significant fluctuations in deposit balances through the year.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund transfers consisted of the following for the year ended March 31, 2014:

Fund	Transfer Out	Transfer In
General	\$ 714	\$ -
Liquor Law Enforcement	-	714
Total	\$ 714	\$ 714

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, (2) use unrestricted resources collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no interfund receivables and payables balances for the year ended March 31, 2014.

NOTE 6: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year was as follows:

	Balance April 1, 2013	Additions	Deletions	Balance March 31, 2014
<u>Not being depreciated:</u>				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
<u>Being Depreciated:</u>				
Building & Improvements	160,299	-	-	160,299
Furniture & Equipment	5,962	-	-	5,962
Subtotal	167,261	-	-	167,261
Less accumulated depreciation	(49,197)	(4,922)	-	(54,119)
Total	\$118,064	(\$4,922)	\$ -	\$113,142

Depreciation was charged to the Township's functions as follows:

General government	<u>\$4,922</u>
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NOTE 7: PENSION PLAN

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 6.2% of employees' gross earnings and employees contribute 6.2% percent of earnings. In accordance with these requirements, the Township contributed \$1,296 during the current year, and the employees contributed \$1,296.

HEBRON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RISK MANAGEMENT

Hebron Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the State of Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 9: SUBSEQUENT EVENTS

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through May 4, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

HEBRON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property tax	\$ 14,500	\$ 14,500	\$ 13,212	\$ (1,288)
Property taxes - administrative fee	-	-	5,151	5,151
Total taxes	14,500	14,500	18,363	3,863
State shared revenues:				
State shared revenues	19,298	19,298	19,891	593
State shared revenues-METRO Act	1,182	1,182	1,215	33
Swampland and commercial forest	7,393	7,393	9,401	2,008
Total state shared revenues	27,873	27,873	30,507	2,634
Charges for services:				
Rents	-	-	96	96
Interest	150	150	299	149
Other revenue:				
Other	200	200	163	(37)
TOTAL REVENUES	42,723	42,723	49,428	6,705

HEBRON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2014

	ORIGINAL	FINAL		VARIANCE WITH
	BUDGET	BUDGET	ACTUAL	FINAL AMENDED
				BUDGET
				POSITIVE
				(NEGATIVE)
CURRENT:				
LEGISLATIVE				
Township board	\$ 5,870	\$ 5,870	\$ 9,048	\$ (3,178)
GENERAL GOVERNMENT				
Supervisor	10,520	10,520	9,932	588
Elections	-	-	150	(150)
Clerk	5,980	5,980	5,720	260
Board of Review	750	750	750	-
Treasurer	7,240	7,240	7,021	219
Township property	1,400	1,400	3,630	(2,230)
Cemetery	250	250	251	(1)
TOTAL GENERAL GOVERNMENT	26,140	26,140	27,454	(1,314)
PUBLIC WORKS				
Highways and streets	2,400	2,400	8,427	(6,027)
OTHER FUNCTIONS				
Insurance and bonds	1,800	1,800	2,205	(405)
Payroll taxes	2,400	2,400	610	1,790
Pensions	-	-	1,296	(1,296)
Contingency	200	200	-	200
TOTAL OTHER FUNCTIONS	4,400	4,400	4,111	289
TOTAL EXPENDITURES	38,810	38,810	49,040	(10,230)
REVENUES OVER (UNDER) EXPENDITURES	3,913	3,913	388	(3,525)
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	-	-	(714)	714
NET CHANGE IN FUND BALANCE	3,913	3,913	(326)	(2,811)
FUND BALANCE - BEGINNING OF YEAR	92,862	92,862	92,862	-
FUND BALANCE - END OF YEAR	\$ 96,775	\$ 96,775	\$ 92,536	\$ (2,811)

HEBRON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
FIRE FUND
FOR THE YEAR ENDED MARCH 31, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Property taxes	\$ 8,000	\$ 8,000	\$ 10,998	\$ 2,998
Interest income	-	-	8	8
TOTAL REVENUES	8,000	8,000	11,006	3,006
EXPENDITURES:				
Public safety	7,700	7,700	7,650	50
TOTAL EXPENDITURES	7,700	7,700	7,650	50
NET CHANGE IN FUND BALANCE	300	300	3,356	3,056
FUND BALANCE, BEGINNING OF YEAR	29,284	29,284	29,284	-
FUND BALANCE, END OF YEAR	\$ 29,584	\$ 29,584	\$ 32,640	\$ 3,056