

HAGAR TOWNSHIP
BERRIEN COUNTY, MICHIGAN
FINANCIAL REPORT
March 31, 2009

HAGAR TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2009

CONTENTS

	<u>Page</u>
MANAGEMENT'S DISCUSSION AND ANALYSIS	I-IV
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	2
Statement of Activities	3
Governmental Funds - Balance Sheet	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Fund - Statement of Net Assets	8
Proprietary Fund - Statement of Revenues, Expenses, and Changes in Net Assets	9
Proprietary Fund - Statement of Cash Flows	10
Fiduciary Funds - Statement of Net Assets	11
Notes to Financial Statements	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	22
Fire Millage Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	23

CONTENTS – Continued

Page

REQUIRED SUPPLEMENTARY INFORMATION - Continued

Museum Millage Fund - Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	24
---	----

SUPPLEMENTARY INFORMATION

General Fund:

Statement of Revenues, Compared to Budget	25
Statement of Expenditures, Compared to Budget	26-29

Fiduciary Funds:

Agency Funds:

Combining Balance Sheet.....	30
Statement of Cash Receipts and Disbursements - Tax Collection Fund	31
Statement of Cash Receipts and Disbursements - Trust and Agency Fund.....	32

HAGAR TOWNSHIP

BERRIEN COUNTY

P.O. Box 135 – Riverside, MI 49084
Phone (269) 849-0455 – Fax (269) 849-2454

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets 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 combined net assets increased 5% from a year ago – increasing from \$3,485,177 to \$3,663,313. The total net assets for governmental activities increased by \$174,629, as a result of property taxes, state shared revenues and interest earned on investments. The business-type activities experienced a \$3,507 increase in net assets, as a result of revenue from water billings and interest earned on investments.

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of March 31, 2009 compared to the prior year:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>DDA</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current Assets	2,607	2,374	78	74	2,685	2,448	105	95
Non-Current Assets	994	1,062	31	32	1,025	1,094	980	1,006
Total Assets	3,601	3,436	109	106	3,710	3,542	1,085	1,101
Current Liabilities	47	57	-	-	47	57	42	80
Non-Current Liabilities	-	-	-	-	-	-	-	40
Total Liabilities	47	57	-	-	47	57	42	120
Net Assets (Deficit)								
Invested in Capital Assets	603	651	31	32	634	683	980	1,007
Restricted	1,218	1,180	-	-	1,218	1,180	-	-
Unrestricted	1,733	1,548	78	74	1,811	1,622	64	(26)
Total Net Assets	3,554	3,379	109	106	3,663	3,485	1044	981

Unrestricted net assets is the part of net assets that can be used to finance day to day operations, increased by \$184,141 for the governmental activities. This represents an increase of approximately 12%. The current level of unrestricted net assets for our governmental activities stands at \$1,732,854, or about 296% of expenditures.

HAGAR TOWNSHIP

BERRIEN COUNTY

P.O. Box 135 – Riverside, MI 49084
Phone (269) 849-0455 – Fax (269) 849-2454

Management's Discussion and Analysis (continued)

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2009 compared to the prior year:

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>DDA</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Program Revenues								
Charges for Services	91	65	4	4	95	69	-	-
Operating Grants	-	-	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-	-	-
General Revenues								
Property Taxes	374	377	-	-	374	377	90	65
State-Shared Revenues	277	273	-	-	277	273	-	-
Unrestricted Investments	27	115	1	3	28	118	-	-
Local Sources	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Miscellaneous	5	30	-	-	5	30	-	-
Total Revenues	774	860	5	7	779	867	90	65
Program Expenses								
General Government	322	346	-	-	322	346	-	-
Public Safety	155	209	-	-	155	209	-	-
Public Works	34	48	-	-	34	48	-	-
Recreation and Culture	73	41	-	-	73	41	-	-
Downtown Development	-	-	-	-	-	-	43	32
Water and Sewer	-	-	1	1	1	1	-	-
Total Expenses	584	644	1	1	585	645	43	32
Change in Net Assets	190	216	4	6	194	222	47	33

HAGAR TOWNSHIP

BERRIEN COUNTY

P.O. Box 135 – Riverside, MI 49084
Phone (269) 849-0455 – Fax (269) 849-2454

Management's Discussion and Analysis (continued)

Governmental Activities

The Township's total governmental revenue decreased by approximately \$86,000 compared to revenues reported in 2008. A reduction in interest earned on investments as well as the tax fund accounts for most of the differential. Expenses decreased by about \$60,000 during the year.

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to very few Township residents through a contract with the City of Benton Harbor.

Downtown Development Authority

The Township's component unit consists of a Downtown Development Authority (DDA). The DDA was created to stabilize conditions for those residing in the Riverside area, assist businesses in locating or expanding in the area, and to improve the quality of life. The DDA will continue to collect funding to finance worthy projects as they have in the past with the Township Hall expansion, the downtown Riverside improvement project and the new Public Safety Building. This year the DDA was renewed for another 25 years.

The Township's Funds

Our analysis of the Township's major funds begins on page 22, following the entity-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2009 include the General Fund, Fire Millage Fund, and the Museum Millage Fund. The General Fund pays for most of the Township's governmental services. The most significant are public safety services, which incurred expenses of approximately \$89,000 in 2009.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. The Township has found great value in the summer patrols provided by the Berrien County Sheriff's Department. The weekend and holiday patrols, focused primarily on the beaches, provide an additional layer of protection to our community during critical times. The total cost to the Township for the season is between \$6,000 and \$7,000. The use of professional planners has become a necessity in today's complex real estate development world. The Township continues to enlist the assistance of a professional planner, but much of these expenses are reimbursed to the Township by the individual developers through the newly adopted escrow policy.

HAGAR TOWNSHIP

BERRIEN COUNTY

P.O. Box 135 – Riverside, MI 49084
Phone (269) 849-0455 – Fax (269) 849-2454

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

At the end of 2008-2009 fiscal year, the Township had \$634,254 invested in a broad range of capital assets including buildings and water lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the Berrien County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act maintains a gap between real estate values and taxable limits. Growth in taxable value will be slowed by a continuing reduction in real estate sales which would normally help close the gap, since transfers in property ownership set the taxable value at the fair market value. The prospect for any significant increases in revenue sharing, which is the Township's portion of the State sales tax, remains dim. Projected sales taxes are down, so the "constitutional" or guaranteed portion of revenue sharing will likely decrease by a projected 5%. And, the State's broader financial condition makes it unlikely that the State will be able to reinstate any "statutory" or voluntary portion of revenue sharing any time soon. Our township's revenue sharing has been reduced to guaranteed (constitutional) levels for the last several years.

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 Township Supervisor.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 9, 2009

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Hagar Township
Riverside, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hagar Township, as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through IV and 22 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hagar Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

HAGAR TOWNSHIP
Statement of Net Assets
March 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash	\$ 2,560,904	\$ 78,492	\$ 2,639,396	\$ 100,846
Receivables	45,792	-	45,792	4,644
Interest in joint venture	350,656	-	350,656	-
Loan receivable	40,000	-	40,000	-
Capital assets (net of related depreciation) :				
Non-depreciable assets:				
Land	255,773	-	255,773	-
Depreciable assets:				
Buildings & improvements	190,344	-	190,344	980,169
Land improvements	66,922	-	66,922	-
Machinery and equipment	83,293	-	83,293	-
Office equipment	7,078	-	7,078	-
Utility systems	-	30,844	30,844	-
	-	30,844	30,844	-
Total Assets	\$ 3,600,762	\$ 109,336	\$ 3,710,098	\$ 1,085,659
Liabilities				
Accounts payable	\$ 37,131	\$ -	\$ 37,131	\$ -
Payroll liabilities	9,654	-	9,654	-
Interest payable	-	-	-	1,800
Noncurrent liabilities:				
Due within one year	-	-	-	40,000
	-	-	-	40,000
Total Liabilities	\$ 46,785	\$ -	\$ 46,785	\$ 41,800
NET ASSETS				
Invested in capital assets, net of related debt	\$ 603,410	\$ 30,844	\$ 634,254	\$ 980,169
Restricted	1,217,713	-	1,217,713	-
Unrestricted	1,732,854	78,492	1,811,346	63,690
	-	-	-	-
TOTAL NET ASSETS	\$ 3,553,977	\$ 109,336	\$ 3,663,313	\$ 1,043,859

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

HAGAR TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
General government	\$ 322,498	\$ 40,715	\$ -
Public safety	154,717	50,937	-
Public works	34,295	-	-
Recreation and cultural	72,701	-	-
	<u>\$ 584,211</u>	<u>\$ 91,652</u>	<u>\$ -</u>
Business-Type Activities:			
Water Fund	\$ 1,084	\$ 3,422	\$ -
	<u>\$ 1,084</u>	<u>\$ 3,422</u>	<u>\$ -</u>
Total Primary Government			
	<u>\$ 585,295</u>	<u>\$ 95,074</u>	<u>\$ -</u>
Component Unit:			
Downtown Development Authority	\$ 43,350	\$ -	\$ -

General revenues:
Property taxes
State revenue sharing
Investment return
Other revenue

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

Prior Year Adjustment

Adjusted Balance, Beginning of Year

NET ASSETS - END OF YEAR

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

es

**Capital Grants
and
Contributions**

\$ -
-
-
-

\$ -

\$ -

\$ -

\$ -

\$ -

ar

**Net (Expense) Revenue and
Changes in Net Assets**

<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
\$ (281,783)	\$ -	\$ (281,783)	\$ -
(103,780)	-	(103,780)	-
(34,295)	-	(34,295)	-
<u>(72,701)</u>	<u>-</u>	<u>(72,701)</u>	<u>-</u>
\$ (492,559)	\$ -	\$ (492,559)	\$ -
\$ -	\$ 2,338	\$ 2,338	\$ -
\$ -	\$ 2,338	\$ 2,338	\$ -
\$ (492,559)	\$ 2,338	\$ (490,221)	\$ -
\$ -	\$ -	\$ -	\$ (43,350)
\$ 373,654	\$ -	\$ 373,654	\$ 90,458
277,621	-	277,621	-
26,869	1,169	28,038	90
<u>4,905</u>	<u>-</u>	<u>4,905</u>	<u>-</u>
\$ 683,049	\$ 1,169	\$ 684,218	\$ 90,548
\$ 190,490	\$ 3,507	\$ 193,997	\$ 47,198
\$ 3,379,348	\$ 105,829	\$ 3,485,177	\$ 980,800
<u>(15,861)</u>	<u>-</u>	<u>(15,861)</u>	<u>15,861</u>
\$ 3,363,487	\$ 105,829	\$ 3,469,316	\$ 996,661
\$ 3,553,977	\$ 109,336	\$ 3,663,313	\$ 1,043,859

**HAGAR TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
March 31, 2009**

	<u>General Fund</u>	<u>Fire Millage Fund</u>	<u>Museum Millage Fund</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 2,311,661	\$ 215,404	\$ 33,839	\$ 2,560,904
Receivables:				
Taxes	655	-	-	655
Loan	40,000	-	-	40,000
Escrow	<u>7,740</u>	<u>-</u>	<u>-</u>	<u>7,740</u>
Total Current Assets	<u>\$ 2,360,056</u>	<u>\$ 215,404</u>	<u>\$ 33,839</u>	<u>\$ 2,609,299</u>
TOTAL ASSETS	<u><u>\$ 2,360,056</u></u>	<u><u>\$ 215,404</u></u>	<u><u>\$ 33,839</u></u>	<u><u>\$ 2,609,299</u></u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 3,244	\$ -	\$ 33,887	\$ 37,131
Payroll liabilities	<u>9,654</u>	<u>-</u>	<u>-</u>	<u>9,654</u>
Total Current Liabilities	<u>\$ 12,898</u>	<u>\$ -</u>	<u>\$ 33,887</u>	<u>\$ 46,785</u>
Total Liabilities	<u>\$ 12,898</u>	<u>\$ -</u>	<u>\$ 33,887</u>	<u>\$ 46,785</u>
Fund Balances:				
Reserved for:				
Restricted purposes	\$ 1,002,357	\$ -	\$ -	\$ 1,002,357
Unreserved, reported in				
General Fund	1,344,801	-	-	1,344,801
Special Revenue	<u>-</u>	<u>215,404</u>	<u>(48)</u>	<u>215,356</u>
Total Fund Balances	<u>\$ 2,347,158</u>	<u>\$ 215,404</u>	<u>\$ (48)</u>	<u>\$ 2,562,514</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,360,056</u></u>	<u><u>\$ 215,404</u></u>	<u><u>\$ 33,839</u></u>	<u><u>\$ 2,609,299</u></u>

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

HAGAR TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statements of Net Assets
March 31, 2009

Fund Balance - Total Governmental Funds	\$ 2,562,514
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	603,410
Interest in joint venture is not a financial resource and is not reported in the funds.	350,656
Receivables not expected to be received within 60 days of year end are not financial resources and are not reported in the funds.	<u>37,397</u>
Net Assets of Governmental Activities	<u>\$ 3,553,977</u>

**HAGAR TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2009**

	<u>General Fund</u>	<u>Fire Millage Fund</u>	<u>Museum Millage Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 193,434	\$ 143,625	\$ 36,595	\$ 373,654
Licenses and permits	50,937	-	-	50,937
State revenues	277,621	-	-	277,621
Charges for services	40,715	-	-	40,715
Interest	24,880	1,918	71	26,869
Other revenue	<u>4,905</u>	<u>-</u>	<u>-</u>	<u>4,905</u>
 Total Revenues	 <u>\$ 592,492</u>	 <u>\$ 145,543</u>	 <u>\$ 36,666</u>	 <u>\$ 774,701</u>
Expenditures:				
General government	\$ 309,768	\$ -	\$ -	\$ 309,768
Public safety	89,264	100,838	-	190,102
Public works	34,295	-	-	34,295
Recreation and culture	<u>20,213</u>	<u>-</u>	<u>36,877</u>	<u>57,090</u>
 Total Expenditures	 <u>\$ 453,540</u>	 <u>\$ 100,838</u>	 <u>\$ 36,877</u>	 <u>\$ 591,255</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 138,952</u>	 <u>\$ 44,705</u>	 <u>\$ (211)</u>	 <u>\$ 183,446</u>
 Fund Balances, Beginning of Year	 \$ 2,216,202	 \$ 178,564	 \$ 163	 \$ 2,394,929
 Prior Year Adjustment	 <u>(7,996)</u>	 <u>(7,865)</u>	 <u>-</u>	 <u>(15,861)</u>
 Adjusted Balance, Beginning of Year	 <u>\$ 2,208,206</u>	 <u>\$ 170,699</u>	 <u>\$ 163</u>	 <u>\$ 2,379,068</u>
 FUND BALANCES, END OF YEAR	 <u><u>\$ 2,347,158</u></u>	 <u><u>\$ 215,404</u></u>	 <u><u>\$ (48)</u></u>	 <u><u>\$ 2,562,514</u></u>

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

HAGAR TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2009

Net Change in Fund Balance - Total Governmental Funds	\$ 183,446
Amounts reported for governmental activities in the statement of activities are different because:	
Interest in joint venture not recorded in governmental funds:	
Increase in equity interest	54,481
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Current depreciation expense	<u>(47,437)</u>
Change in Net Assets of Governmental Activities	<u>\$ 190,490</u>

**HAGAR TOWNSHIP
 PROPRIETARY FUND
 Statement of Net Assets
 March 31, 2009**

	<u>Water Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ <u>78,492</u>
Total Current Assets	\$ <u>78,492</u>
Noncurrent Assets:	
Water lines	\$ 54,222
Accumulated depreciation	<u>(23,378)</u>
Total Noncurrent Assets	\$ <u>30,844</u>
TOTAL ASSETS	\$ <u>109,336</u>
Liabilities and Fund Balance	
Fund Balance:	
Invested in capital assets, net of related debt	\$ 30,844
Unrestricted	<u>78,492</u>
Total Fund Balance	\$ <u>109,336</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>109,336</u>

**HAGAR TOWNSHIP
 PROPRIETARY FUND
 Statement of Revenues, Expenses, and
 Changes in Net Assets
 For the Year Ended March 31, 2009**

	<u>Water Fund</u>
Operating Revenues:	
Water revenue	<u>\$ 3,422</u>
Total Operating Revenues	<u>\$ 3,422</u>
Operating Expenses:	
Depreciation	<u>\$ 1,084</u>
Total Operating Expenses	<u>\$ 1,084</u>
Operating Income	<u>\$ 2,338</u>
Nonoperating Revenue (Expense):	
Interest revenue	<u>\$ 1,169</u>
Total Nonoperating Revenue (Expense)	<u>\$ 1,169</u>
Change in Net Assets	\$ 3,507
Total Net Assets, Beginning of Year	<u>105,829</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 109,336</u>

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

**HAGAR TOWNSHIP
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended March 31, 2009**

Cash Flows From Operating Activities:	
Cash receipts from customers	<u>\$ 3,422</u>
Net cash provided (used) by operating activities	<u>\$ 3,422</u>
Cash Flows From Investing Activities:	
Investment purchases	\$ (948)
Interest income	<u>1,169</u>
Net cash provided (used) by investing activities	<u>\$ 221</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,643
Cash Balance, Beginning of the Year	<u>18,694</u>
CASH BALANCE, END OF THE YEAR	<u>\$ 22,337</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 2,338
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	<u>1,084</u>
Net cash provided (used) by operating activities	<u>\$ 3,422</u>

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

**HAGAR TOWNSHIP
FIDUCIARY FUNDS
Statement of Net Assets
March 31, 2009**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,415
Accounts receivable	<u>4,092</u>
TOTAL ASSETS	<u>\$ 5,507</u>
Liabilities	
Bank overdraft	\$ 1,974
Due to General Fund	1,115
Due to other governments	<u>2,418</u>
TOTAL LIABILITIES	<u>\$ 5,507</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Hagar Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

Hagar Township is governed by an elected five-member board. The accompanying financial statements present Hagar Township and its component unit, an entity for which Hagar Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from Hagar Township.

The Downtown Development Authority - The DDA was created to stabilize conditions for those residing in the Riverside area, assist businesses in locating or expanding in the area, and to improve the quality of life. The DDA's governing body, which consists of nine individuals, is appointed by Hagar Township's board. Any surplus funds existing at the DDA's termination vest to Hagar Township. The DDA has the same fiscal year as the Township.

Jointly Governed Organizations - Hagar Township, along with Coloma Charter Township and the City of Coloma, are members of the Coloma-Hagar Joint Fire Board. The Fire Board is governed by an administrative board of six members appointed by the City and Townships. Hagar Township's equity interest in the Fire Board is recorded in governmental activities in the government-wide financial statements. Complete financial statements for the Fire Board can be obtained from the City of Coloma mayor's office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are 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 services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are 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 revenues.

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.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary fund and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Hager Township reports the following major governmental funds:

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

The **Fire Millage Fund** accounts for activities related to providing fire services.

The **Museum Millage Fund** accounts for activities related to providing museum services.

Additionally, Hager Township reports the following fund types:

The **Proprietary Fund** is used to account for the activities of the water system.

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

D. Property Tax Revenue

Township property taxes are levied on December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Hagar Township's 2008 tax is levied and collectible on December 1, 2008, and is recognized as revenue in the year ended March 31, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of Hagar Township totaled \$162.96 million, on which taxes levied consisted of .9507 mills for operating purposes, 0.9316 mills for fire services and 0.2376 mills for North Berrien County Historical Museum. This resulted in approximately \$154,907 for operations, \$151,794 for fire and \$38,700 for historical museum. Of these levied amounts, \$18,997 was allocated for DDA.

E. Receivables and Payables

Outstanding balances between funds are reported as "due to/from other fund". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Hagar Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset</u> <u>Class</u>	<u>Depreciable</u> <u>Life</u>
Land improvements	15 years
Buildings	40 years
Office equipment	7 years
Equipment	5 years
Water lines	50 years

G. Fund Equity

In the fund financial statements, the 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.

H. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. The Township does not currently have any bonded debt; however, if they were to issue a bond, the bond premium or discount, as well as issuance costs, would be deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable would be reported net of the applicable bond premium or discount. Bond issuance costs would be reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances would be reported as other financing sources. Bond discounts would be reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, would be reported as debt service.

I. Budgetary Data

Prior to an annual meeting the Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing April 1. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted in summary form at the annual budget meeting.

The Supervisor and Clerk are authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the Board of Trustees.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

J. Cash Flows Statement

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of six months or less when purchased, to be cash equivalents.

K. Investments

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of one year or less when purchased are defined as cash equivalents.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits, which include cash and certificates of deposit, are carried at cost. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits and investment policies are in accordance with statutory authority at March 31, 2009.

Following is a reconciliation of deposit and investment balances as of March 31, 2009:

Statement of Net Assets:	
Cash and cash equivalents	\$ 2,639,396
Component unit	100,846
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	1,415
Total	\$ 2,741,657
Deposits and Investments:	
Bank deposits:	
Checking and savings accounts	\$ 1,284,590
Money market	1,456,623
Cash on hand	444
Total	\$ 2,741,657

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

A. Concentration of Credit Risk

Hagar Township places no limit on the amount invested in any one issuer. No more than five percent of Hagar Township's investments are invested in any one issuer.

B. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Hagar Township's deposits may not be returned to it. Hagar Township does not have a deposit policy for custodial credit risk. At year end, Hagar Township has \$1,155,602 of bank deposits and \$1,457,130 of money market deposits that were uninsured and uncollateralized. At year end, all of the component unit's bank deposits were insured. Hagar Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Hagar Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Hagar Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with building codes. Hagar Township charges fees for these services. The law requires that collection of these fees be used for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at March 31, 2008	\$ (34,862)
Current year building permit revenue	35,599
Related expenses - Direct costs	<u>(40,137)</u>
Shortfall at March 31, 2009	<u>\$ (39,400)</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2009 were as follows:

	Balance April 1, 2008	Additions	Deletions	Balance March 31, 2009
Government Activities				
Capital Assets Not Depreciated:				
Land	\$ 255,773	\$ -	\$ -	\$ 255,773
Capital Assets Being Depreciated:				
Buildings	\$ 494,943	\$ -	\$ -	\$ 494,943
Land improvements	129,863	-	-	129,863
Equipment	230,009	-	-	230,009
Office equipment	<u>23,909</u>	<u>-</u>	<u>-</u>	<u>23,909</u>
Subtotal	<u>\$ 878,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 878,724</u>
Accumulated Depreciation				
Buildings	\$ 293,388	\$ 11,211	\$ -	\$ 304,599
Land improvements	54,283	8,658	-	62,941
Equipment	121,564	25,152	-	146,716
Office equipment	<u>14,415</u>	<u>2,416</u>	<u>-</u>	<u>16,831</u>
Total Accumulated Depreciation	<u>\$ 483,650</u>	<u>\$ 47,437</u>	<u>\$ -</u>	<u>\$ 531,087</u>
Net Capital Assets Depreciated	<u>\$ 395,074</u>	<u>\$ (47,437)</u>	<u>\$ -</u>	<u>\$ 347,637</u>
Total Capital Assets	<u>\$ 650,847</u>	<u>\$ (47,437)</u>	<u>\$ -</u>	<u>\$ 603,410</u>
Business Activities				
Water lines	\$ 54,222	\$ -	\$ -	\$ 54,222
Subtotal	\$ 54,222	\$ -	\$ -	\$ 54,222
Less: Accumulated Depreciation	<u>22,294</u>	<u>1,084</u>	<u>-</u>	<u>23,378</u>
Total Capital Assets	<u>\$ 31,928</u>	<u>\$ (1,084)</u>	<u>\$ -</u>	<u>\$ 30,844</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 4 - CAPITAL ASSETS - Continued

Component Unit	Balance April 1, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2009</u>
Buildings	\$ 1,050,159	\$ -	\$ -	\$ 1,050,159
Less: Accumulated depreciation	<u>43,736</u>	<u>26,254</u>	<u>-</u>	<u>69,990</u>
 Total	 <u>\$ 1,006,423</u>	 <u>\$ (26,254)</u>	 <u>\$ -</u>	 <u>\$ 980,169</u>

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

Governmental Activities:	
General government	\$ 12,730
Public safety	19,096
Recreation and culture	<u>15,611</u>
 Total Governmental Activities	 <u>\$ 47,437</u>
 Business-Type Activities - Water Fund	 <u>\$ 1,084</u>
 Component Unit - DDA	 <u>\$ 26,254</u>

NOTE 5 - RISK MANAGEMENT

Hagar Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation). Hagar Township has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN

Hagar Township provides pension benefits to all of its board members and hourly employees at least 18 years of age with 1,000 hours of service or more. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Hagar Township board, the Township contributes ten percent of employees' gross earnings. In accordance with these requirements, Hagar Township contributed \$11,278. There were no employee contributions during fiscal 2009.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 7 - RESERVED FUND BALANCES

The following amounts in the General Fund have been designated reserved

The Reserved Technisand Fund balance is restricted for the purpose of maintenance and clean-up after dune mining is complete.

The Reserved Sewer Fund balance and Road Improvement Fund balance are restricted for the purpose of continuing maintenance of sewer lines and roads.

The Reserved Fire Board balance is restricted for fire services needs including a new fire truck.

The Reserved Ambulance Millage Fund balance is the amount still remaining from the previous millage levy. These funds are restricted in use to provide for ambulance services to the Township residents.

The Reserved Township Capital Expenditures Fund balance is restricted for improvements to the Township. It is used for improvements of public safety, parks, and all other Township improvements.

NOTE 8 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the department level. During the year ended March 31, 2009, the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>		<u>Activity</u> <u>Expenditures</u>		<u>Negative</u> <u>Budget Activity</u>
General Fund:					
Public Safety	\$ 81,109	\$	89,264	\$	8,155
Public Works	33,946		34,295		349
Museum Fund:					
Recreation and Cultural	33,531		36,877		3,346

NOTE 9 - JOINTLY GOVERNED ORGANIZATION

Coloma-Hagar Joint Fire Board

Hagar Township, Charter Township of Coloma and the City of Coloma participate jointly in the operations of the Coloma-Hagar Joint Fire Board. The funds required are allocated among the participating municipalities according to a formula approved by the board of directors. Hagar Township's appropriation of the Coloma-Hagar Joint Fire Board for this fiscal year ended March 31, 2009, was \$100,838. Of that total, \$20,595 was for fire department wage reimbursements and \$1,383 was for general insurance. The remaining \$78,860 was the subsidy paid to the Coloma-Hagar Joint Fire Board per the agreement.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2009

NOTE 10 - OPERATING LEASE

During the year ended March 31, 2009, Hagar Township agreed to rent the newly constructed Public Safety Building to the Coloma-Hagar Joint Fire Board. The lease shall expire on the anniversary of its signing in 2027. Rent in the amount of one dollar (\$1.00) was received by Hagar Township in accordance with the lease. The Coloma-Hagar Joint Fire Board is responsible for all maintenance and repairs to keep the building in good operating condition.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During the year ended March 31, 2009, a prior period adjustment was needed in both the General Fund and Fire Millage Fund of Hagar Township. The reason for the adjustments was that revenue from the Hagar Township Downtown Development Authority was not recognized in the prior year in either fund. The amount of these adjustments was \$7,996 and \$7,865 for the General Fund and Fire Millage Fund respectively.

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 174,344	\$ 188,986	\$ 193,434	\$ 4,448
Licenses and permits	46,500	46,115	50,937	4,822
State revenue	270,000	277,621	277,621	-
Charges for services	19,000	28,323	40,715	12,392
Interest	50,000	40,441	24,880	(15,561)
Other revenue	<u>15,000</u>	<u>5,560</u>	<u>4,905</u>	<u>(655)</u>
 Total Revenues	 <u>\$ 574,844</u>	 <u>\$ 587,046</u>	 <u>\$ 592,492</u>	 <u>\$ 5,446</u>
Expenditures:				
General government	\$ 381,444	\$ 321,484	\$ 309,768	\$ 11,716
Public safety	164,765	81,109	89,264	(8,155)
Public works	44,500	33,946	34,295	(349)
Recreation and culture	<u>35,000</u>	<u>20,213</u>	<u>20,213</u>	<u>-</u>
 Total Expenditures	 <u>\$ 625,709</u>	 <u>\$ 456,752</u>	 <u>\$ 453,540</u>	 <u>\$ 3,212</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (50,865)</u>	 <u>\$ 130,294</u>	 <u>\$ 138,952</u>	 <u>\$ 8,658</u>
Other Financing Sources (Uses):				
Other financing sources	<u>50,865</u>	<u>15,865</u>	<u>-</u>	<u>(15,865)</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ 146,159</u>	 <u>\$ 138,952</u>	 <u>\$ (7,207)</u>
 Fund Balance, Beginning of Year	 <u>\$ 1,801,760</u>	 <u>\$ 2,216,202</u>	 <u>\$ 2,216,202</u>	 <u>\$ -</u>
 Prior Period Adjustment	 <u>-</u>	 <u>-</u>	 <u>(7,996)</u>	 <u>(7,996)</u>
 Adjusted Balance, Beginning of Year	 <u>\$ 1,801,760</u>	 <u>\$ 2,216,202</u>	 <u>\$ 2,208,206</u>	 <u>\$ (7,996)</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 1,801,760</u>	 <u>\$ 2,362,361</u>	 <u>\$ 2,347,158</u>	 <u>\$ (15,203)</u>

**HAGAR TOWNSHIP
FIRE MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 149,545	\$ 135,296	\$ 143,625	\$ 8,329
Interest	1,500	1,410	1,918	508
	<u>151,045</u>	<u>136,706</u>	<u>145,543</u>	<u>8,837</u>
Total Revenues	<u>\$ 151,045</u>	<u>\$ 136,706</u>	<u>\$ 145,543</u>	<u>\$ 8,837</u>
Expenditures:				
Public Safety:				
Wage reimbursement	\$ 25,000	\$ 20,595	\$ 20,595	\$ -
Contracted services	78,860	78,860	78,860	-
Insurance	2,000	1,383	1,383	-
Education and training	300	-	-	-
	<u>106,160</u>	<u>100,838</u>	<u>100,838</u>	<u>-</u>
Total Public Safety	<u>\$ 106,160</u>	<u>\$ 100,838</u>	<u>\$ 100,838</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 106,160</u>	<u>\$ 100,838</u>	<u>\$ 100,838</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 44,885</u>	<u>\$ 35,868</u>	<u>\$ 44,705</u>	<u>\$ 8,837</u>
Fund Balance Beginning of Year	\$ 27,218	\$ 178,564	\$ 178,564	\$ -
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(7,865)</u>	<u>(7,865)</u>
Adjusted Balance, Beginning of Year	<u>\$ 27,218</u>	<u>\$ 178,564</u>	<u>\$ 170,699</u>	<u>\$ (7,865)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 72,103</u></u>	<u><u>\$ 214,432</u></u>	<u><u>\$ 215,404</u></u>	<u><u>\$ 972</u></u>

**HAGAR TOWNSHIP
MUSEUM MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance- Budget and Actual
For the Year Ended March 31, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 34,709	\$ 36,352	\$ 36,595	\$ 243
Interest	<u>50</u>	<u>65</u>	<u>71</u>	<u>6</u>
Total Revenues	<u>\$ 34,759</u>	<u>\$ 36,417</u>	<u>\$ 36,666</u>	<u>\$ 249</u>
Expenditures:				
Recreational and Cultural: Museum operations	<u>\$ 34,000</u>	<u>\$ 33,531</u>	<u>36,877</u>	<u>\$ (3,346)</u>
Total Expenditures	<u>\$ 34,000</u>	<u>\$ 33,531</u>	<u>\$ 36,877</u>	<u>\$ (3,346)</u>
Net Change in Fund Balance	<u>\$ 759</u>	<u>\$ 2,886</u>	<u>\$ (211)</u>	<u>\$ (3,097)</u>
Fund Balance Beginning of Year	<u>\$ 30,390</u>	<u>\$ 163</u>	<u>\$ 163</u>	<u>\$ -</u>
FUND BALANCE, END OF YEAR	<u>\$ 31,149</u>	<u>\$ 3,049</u>	<u>\$ (48)</u>	<u>\$ (3,097)</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended March 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 188,986	\$ 193,434	\$ 4,448
Licenses and permits	46,115	50,937	4,822
State revenue	277,621	277,621	-
Charges for services	28,323	40,715	12,392
Interest	40,441	24,880	(15,561)
Other revenue	<u>5,560</u>	<u>4,905</u>	<u>(655)</u>
 TOTAL REVENUES	 <u>\$ 587,046</u>	 <u>\$ 592,492</u>	 <u>\$ 5,446</u>
 Other Financing Sources:			
Transfers in	<u>\$ 15,865</u>	<u>\$ -</u>	<u>\$ (15,865)</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 602,911</u>	 <u>\$ 592,492</u>	 <u>\$ (10,419)</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
General Government:			
Township Board:			
Salary		\$ 9,800	
Payroll taxes		750	
Audit fees		10,900	
Tax roll prep		11,313	
Membership fees		<u>3,008</u>	
Total Township Board	<u>\$ 35,771</u>	<u>\$ 35,771</u>	<u>\$ -</u>
Supervisor:			
Salary		\$ 18,000	
Payroll taxes		<u>1,377</u>	
Total Supervisor	<u>\$ 19,377</u>	<u>\$ 19,377</u>	<u>\$ -</u>
Assessor:			
Contracted services		\$ 33,959	
Education		5,908	
Other		<u>3,723</u>	
Total Assessor	<u>\$ 47,492</u>	<u>\$ 43,590</u>	<u>\$ 3,902</u>
Board of Review:			
Salary		\$ 750	
Payroll taxes		57	
Other		<u>222</u>	
Total Board of Review	<u>\$ 1,029</u>	<u>\$ 1,029</u>	<u>\$ -</u>
Clerk:			
Salary		\$ 18,000	
Payroll taxes		<u>1,377</u>	
Total Clerk	<u>\$ 19,377</u>	<u>\$ 19,377</u>	<u>\$ -</u>
Treasurer:			
Salary		\$ 18,000	
Payroll taxes		<u>1,377</u>	
Total Treasurer	<u>\$ 19,377</u>	<u>\$ 19,377</u>	<u>\$ -</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
General Government, continued:			
Administrative and Office:			
Salary		\$ 24,678	
Payroll taxes		1,888	
Fringe benefits		9,862	
Office supplies		3,819	
Professional and legal		32,986	
Senior historical		1,600	
Transportation		796	
Insurance		17,964	
Printing and publishing		1,325	
Sub area planning		4,034	
Zoning		8,994	
Township hall operation		35,765	
Curtis community building		3,790	
Other		<u>2,869</u>	
Total Administrative and Office	<u>\$ 158,184</u>	<u>\$ 150,370</u>	<u>\$ 7,814</u>
Elections:			
Salary		\$ 2,360	
Other		<u>1,915</u>	
Total Elections	<u>\$ 4,275</u>	<u>\$ 4,275</u>	<u>\$ -</u>
Cemetery:			
Cemetery Operations		<u>\$ 16,602</u>	
Total Cemetery	<u>\$ 16,602</u>	<u>\$ 16,602</u>	<u>\$ -</u>
Total General Government	<u>\$ 321,484</u>	<u>\$ 309,768</u>	<u>\$ 11,716</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Public Safety:			
Planning and Zoning:			
Salary		\$ 8,204	
Payroll taxes		161	
Other		<u>125</u>	
Total Planning and Zoning	<u>\$ 6,261</u>	<u>\$ 8,490</u>	<u>\$ (2,229)</u>
Ordinance Enforcement:			
Salary		\$ 1,520	
Payroll taxes		116	
Legal		7,461	
Other		<u>133</u>	
Total Ordinance Enforcement	<u>\$ 1,749</u>	<u>\$ 9,230</u>	<u>\$ (7,481)</u>
Police:			
Contracted services		\$ 6,146	
Public safety building		<u>3,109</u>	
Total Police	<u>\$ 8,212</u>	<u>\$ 9,255</u>	<u>\$ (1,043)</u>
Ambulance:			
Contracted services		<u>\$ 11,899</u>	
Total Ambulance	<u>\$ 11,899</u>	<u>\$ 11,899</u>	<u>\$ -</u>
Liquor Inspector:			
Salary		\$ 1,200	
Payroll taxes		92	
Other		<u>210</u>	
Total Liquor Inspector	<u>\$ 1,502</u>	<u>\$ 1,502</u>	<u>\$ -</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Public Safety - Continued:			
Building Inspector:			
Salary		\$ 33,940	
Payroll taxes		2,555	
Fringe benefits		3,572	
Supplies		<u>936</u>	
Total Building Inspector	<u>\$ 51,486</u>	<u>\$ 41,003</u>	<u>\$ 10,483</u>
Mechanical Inspector:			
Salary		<u>\$ 7,885</u>	
Total Mechanical Inspector	<u>\$ -</u>	<u>\$ 7,885</u>	<u>\$ (7,885)</u>
Total Public Safety	<u>\$ 81,109</u>	<u>\$ 89,264</u>	<u>\$ (8,155)</u>
Public Works:			
Highways and Streets:			
Roads		\$ 18,245	
Street lights		4,920	
Drains at large		6,172	
Public clean up		4,609	
Other		<u>349</u>	
Total Public Works	<u>\$ 33,946</u>	<u>\$ 34,295</u>	<u>(349)</u>
Recreation and Cultural:			
Parks and recreation:			
Hagar roadside park		\$ 11,186	
Children's park		1,015	
Baseball park		<u>8,012</u>	
Total Recreation and Cultural	<u>\$ 20,213</u>	<u>\$ 20,213</u>	<u>\$ -</u>
TOTAL EXPENDITURES	<u><u>\$ 456,752</u></u>	<u><u>\$ 453,540</u></u>	<u><u>\$ 3,212</u></u>

**HAGAR TOWNSHIP
AGENCY FUNDS
Combining Balance Sheet
March 31, 2009**

	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
Assets			
Cash in bank	\$ -	\$ 1,115	\$ 1,115
Cash on hand	300	-	300
Accounts receivable	<u>4,092</u>	<u>-</u>	<u>4,092</u>
TOTAL ASSETS	<u>\$ 4,392</u>	<u>\$ 1,115</u>	<u>\$ 5,507</u>
Liabilities			
Bank overdraft	\$ 1,974	\$ -	\$ 1,974
Due to General Fund	-	1,115	1,115
Due to other governments	<u>2,418</u>	<u>-</u>	<u>2,418</u>
TOTAL LIABILITIES	<u>\$ 4,392</u>	<u>\$ 1,115</u>	<u>\$ 5,507</u>

**HAGAR TOWNSHIP
TAX COLLECTION FUND
Statement of Cash Receipts and Disbursements
For the Year Ended March 31, 2009**

Receipts:

Current property tax collections	\$ 4,087,906	
Interest	<u>2,459</u>	
Total Receipts		\$ 4,090,365

Disbursements:

Public schools	\$ 1,925,591	
Berrien County	1,700,337	
Other funds	350,423	
Berrien County I.S.D.	461,695	
Lake Michigan College	317,051	
Downtown Development Authority	147,953	
Other	<u>30,852</u>	
Total Disbursements		<u>4,933,902</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (843,537)
---	--------------

Cash at beginning of year	<u>841,563</u>
---------------------------	----------------

CASH AT END OF YEAR	<u>\$ (1,974)</u>
---------------------	-------------------

**HAGAR TOWNSHIP
TRUST AND AGENCY FUND
Statement of Cash Receipts and Disbursements
For the Year Ended March 31, 2009**

Receipts:

Trailer fees	\$	624
Interest		<u>11</u>
Total Receipts	\$	<u>635</u>

Disbursements:

Payment to General Fund	\$	104
Payment to Berrien County Treasurer		<u>520</u>
Total Disbursements	\$	<u>624</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	\$	11
---	----	----

Cash at beginning of year		<u>1,104</u>
CASH AT END OF YEAR	\$	<u>1,115</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 9, 2009

Township Board
Hagar Township
Riverside, Michigan

In connection with our audit of the books and records of Hagar Township for the year ending March 31, 2009, we offer the following comments and recommendations regarding internal control and other accounting matters. This is in addition to the significant and material weaknesses in internal control that were presented in a separate letter to the Township Board.

GENERAL FUND

1. The petty cash should be kept in a less conspicuous place and locked up at the end of each day.
2. The General Fund's petty cash should be reimbursed prior to each year end.
3. A random sample of bank reconciliations showed that bank reconciliation approvals aren't being signed off on. The bank reconciliations should be reviewed for accuracy after being prepared. The bank reconciliations selected were also inaccurate. One of the reconciliations had an outstanding check that was voided two months prior to the reconciliation, and another had a deposit that cleared the bank the prior month. Both reconciliations had an outstanding deposit from November of 2007.

TAX COLLECTION FUND

4. Tax fund disbursements should be reconciled to tax levy each year. The reconciliation will show how much tax revenue is left to distribute to each government at the end of the year. It will also verify that the Township has received the right amount from the county.

GENERAL

5. It was noted that the Township's wireless internet connection is not a secured network. We recommend that the Township secure the network with a password to eliminate outside access to the internet network.
6. Old outstanding checks need to be investigated in the following funds:
Current Tax Fund and in the General Fund.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

GENERAL - Continued

7. For the year end March 31, 2009, the Township used "QuickBooks", a small business accounting software package, to account for its financial operations. QuickBooks is not a governmental fund accounting package, and as such, is not well suited to the needs of governments. While it is technically possible to fully comply with governmental generally accepted accounting principles, state statutes, and other regulatory requirements using such a system, it requires a significant amount of manual intervention on the part of management to do so. We recommend that management consider the possibility of upgrading its financial management system to a software package designed specifically for the governmental market. This would significantly enhance the Township's ability to properly account for its operations and to comply with relevant regulations.
8. P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the department level. During the year ended March 31, 2009, the Township incurred expenditures in certain budgetary functions which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
General Fund:			
Public safety	\$ 81,109	\$ 89,264	\$ 8,155
Public works	33,946	34,295	349
Museum Fund:			
Recreation and culture	33,531	36,877	3,346

We appreciate the cooperation and courtesy extended to us by the officials and employees of Hagar Township and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 9, 2009

Communication of Significant Deficiencies and Material Weakness in Internal Control

To: The Township Board and
Management of Hagar Township

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hagar Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hagar Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the governmental unit's internal control.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

1. In order for the monthly Board reports to be accurate to the true financial state of the Township in accordance with generally accepted accounting principles, we recommend the following suggestions:
 - Monthly internal reports from QuickBooks need to be reviewed for accuracy. It was noted that there were multiple accounts that were coded incorrectly, i.e., revenue accounts coded as liability accounts or expenditure accounts coded as asset accounts.
 - Fiduciary Funds, such as the Trust and Agency Fund and the Tax Collection Fund, should only report balance sheet accounts and should not report any revenues or expenditures.
 - Tax collections for entities that can legally levy taxes should be paid out every ten days to those entities. We noted that some tax collections were held until year-end, before they were disbursed.
2. In review of the budget, we noted that the budget included a “savings transfer” of \$15,865 in the “other revenue” line item. Since this is actually only a cash transfer (and a use of beginning fund balance), the amount should not be included in the budget. In the budget, expenditures can exceed revenue as long as there is sufficient beginning fund balance to cover the difference.
3. The budgeted beginning fund balance doesn’t agree with the adjusted year end fund balances. The amended budget should include the final fund balances from the financial statements. By not using the correct fund balance the board could potentially approve a budget that makes the fund balance negative at year end.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. We believe that the following deficiencies constitute material weaknesses:

1. Transactions are being back dated to prior years. This makes it very difficult to come to the right balance when doing bank reconciliations and makes the prior year balances not agree with the financial statements. All transactions for prior year tax should be included in the current year.
2. It was noted that multiple deposits had large lag times between deposit sheet dates and the time the deposit cleared the bank accounts (sometimes as long as 14 days). We recommend that all deposits be made in a timely manner to protect from misallocation.
3. During the audit a material entry was made to record accounts payable in the Museum Millage Fund. This entry booked 100% of the current year’s expenditures for the Museum Millage Fund. The omission occurred because management interpreted the contract between the Township and the North Berrien Historical Society as only requiring distributions when the Society needed funds, when in fact distributions should be made upon collection of the tax. Management agrees that the distributions should be made upon collection and will distribute future collections on time. We recommend that all funds be reviewed on a timely basis for reasonableness. Also, there was a material transaction in the Fire Millage Fund. This entry closed the prior year revenues and expenses to fund balance

4. During the audit it was noted that there was a "transfer in" in the General Fund for \$15,865. After we reviewed this transfer it was noted that it was only a transfer of cash between an investment account and the checking account both of which are in the General Fund. By doing this the Township had overstated revenue by \$15,865 which is an immaterial amount. To correct this we suggest that the Township approve transfers between investment cash accounts and the General Fund checking account in the minutes. Then the administration can do an adjusting journal entry that transfers the money directly between the two balance sheet accounts. No entry should be made to the Township's income or expense accounts since both of these accounts are in the same fund.
5. Currently there are no controls in place for reviewing financial statements provided by the auditing firm for material misstatements. We recommend that the Board appoint a person or persons who possess the appropriate knowledge of accounting to review the statements before final Board acceptance. The auditor should be available to answer any questions about the statements that were provided. All statements and disclosures should be carefully reviewed and understood before the Board accepts the financial statements. If the Board does not have anyone who is qualified to do this, the Board should consider the cost of training a Board member(s) to acquire the needed knowledge to perform this procedure. Since this internal control is not currently in place, a material misstatement could occur.

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

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants