# TOWNSHIP OF HAYES

# OTSEGO COUNTY, MICHIGAN

# AUDITED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED MARCH 31, 2004

496 (3-98), Formerly L-3147

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| Local Government Type | Local Government Name | County |
|---|---|---|
| ☐ City ☒ Township ☐ Village ☐ Other | Hayes Township | Otsego |

| Audit Date | Opinion Date | Date Accountant Report Submitted to State: |
|---|---|---|
| 3-31-04 | 5-4-04 | 7-26-04 |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

DEPT OF TREASURY
JUL 28 2004
LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|---|---|---|
| The letter of comments and recommendations. | | | X |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| Certified Public Accountant (Firm Name) | | | |
|---|---|---|---|
| Keskine, Cook, Miller, Smith & Alexander, LLP | | | |
| Street Address | City | State | ZIP |
| 100 West First Street | Gaylord | MI | 49735 |
| Accountant Signature | | | |

## HAYES TOWNSHIP

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## TOWNSHIP OFFICIALS

| | |
|---|---|
| SUPERVISOR | MARY SANDERS |
| CLERK | RICHARD ROSS |
| TREASURER | WAYNE TYLER |

## TRUSTEES

ROBERT DIESING

JUDITH ESTELLE

Keskine, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

May 4, 2004

To the Township Board
Hayes Township
Otsego County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Hayes, as of and for the year ended March 31, 2004, 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 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 in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Township of Hayes as of March 31, 2004, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2004.



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The management's discussion and analysis on pages III-V and budgetary comparison information on pages 18-20 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.

Keskine, Cook, Miller, Smith & Alexander, LLP

KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP

# HAYES TOWNSHIP
# Corner of Hayes Tower and M-32
# Gaylord, MI 49735

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Hayes Township's annual financial report presents our discussion and analysis of our financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements which immediately follow this section.

### Financial Highlights

Overall revenues, as presented in the Statement of Activities, totaled $301,712, of which $11,342 represents program revenues (charges for services and operating grants), and $290,370 represents general revenues, primarily property tax dollars and State shared revenue.

Overall expenditures totaled $197,410 for the Township as a whole.

The Township experienced an increase in net assets of $104,302, due primarily from the conservative fiscal management of the Township Board.

The registered voter count is now at 1,918.

The taxable value of the Township for the 2003 tax year was $90,546,300, up from $86,312,000 in 2002.

### Overview of the Financial Statements

This annual report consists of three parts: the management's discussion and analysis, the basic financial statements, and 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 government activities and/or business-type activities. The Township does not engage in 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.

Supplementary information further explains and supports the financial statements information with budgetary comparisons.

## Government-Wide Statements

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

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure an entity's financial health or position.

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

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and specific transactions.

All of the activities of the Township are reported as governmental activities.

## 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 also may be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and they show proper expenditure of those resources. The fund financial statements are prepared using the modified accrual basis of accounting, reporting only current transactions.

## Financial Analysis of the Township as a Whole

Net Assets – the entity's combined net assets increased during the year ended March 31, 2004, to total $964,682, of which $118,570 is invested in capital assets.

This condition can be traced to the items noted in the "Financial Highlights" section of this letter.

## Financial Analysis of the Township's Funds

The Township has the following major fund:

*General Fund* – the General Fund is used to account for all activities not required to be accounted for in a separate fund. Revenues are derived primarily from property taxes and State shared revenue, with total revenues of $301,712. General Fund expenditures totaled $191,484. The major general fund expenditures are fire protection, road repair and salaries.

**Financial Analysis of the Township's Funds (Continued)**

The Township also maintains a fiduciary fund for tax collection and disbursement activities. The Township acts as a fiduciary for assets that belong to others. These activities do not appear in the government-wide financial statements since the assets do not belong to the entity.

**Capital Asset and Long-term Debt Activity**

The Township made no significant capital asset purchases over the past year, nor does the Township have any long-term debt.

**Known Factors affecting future Operations**

The Township continues to monitor various road construction/repair projects. Improvements to S. Townline Road, Hayes Tower Road and Mt. Frederick Road are on the Township's list of future road expenditures.

**Contracting Entity Management**

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report, please contact Supervisor Mary Sanders.

Mary M. Sanders

Mary Sanders, Hayes Township Supervisor

**TOWNSHIP OF HAYES**
**STATEMENT OF NET ASSETS**
**MARCH 31, 2004**

## ASSETS

| | |
|---|---|
| **Current Assets:** | |
| Cash | $ 79,587 |
| Certificates of Deposit | 751,732 |
| Delinquent Taxes Receivable | 11,161 |
| Due From Other Funds | 3,632 |
| Total Current Assets | 846,112 |
| **Noncurrent Assets:** | |
| Capital Assets | 149,672 |
| Less, Accumulated Depreciation | (31,102) |
| Total Noncurrent Assets | 118,570 |
| **Total Assets** | 964,682 |

## LIABILITIES

| | |
|---|---|
| **Liabilities:** | |
| Accounts Payable | $ - |

## NET ASSETS

| | |
|---|---|
| Net Assets, Unrestricted | 842,856 |
| Net Assets, Restricted | 3,256 |
| Investment in Fixed Assets | 118,570 |
| **Total Net Assets** | $ 964,682 |

See accompanying statements to the financial statements

**TOWNSHIP OF HAYES**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED MARCH 31, 2004**

| | | PROGRAM REVENUES | | | NET REVENUE (EXPENSE) AND CHANGE IN NET ASSETS |
|---|---|---|---|---|---|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRI-BUTIONS | CAPITAL GRANTS AND CONTRI-BUTIONS | GOVERNMENTAL ACTIVITES |
| **GOVENMENTAL ACTIVITIES:** | | | | | |
| Township Administration | $ (106,217) | $ - | $ 10,592 | $ - | $ (95,625) |
| Assessing | (39,278) | - | - | - | (39,278) |
| Fire Protection | (34,959) | - | - | - | (34,959) |
| Road Improvement | (6,808) | - | - | - | (6,808) |
| Township Hall | (2,268) | - | - | - | (2,268) |
| Cemetery | (1,954) | 750 | - | - | (1,204) |
| Unallocated Depreciation | (5,926) | - | - | - | (5,926) |
| Total | (197,410) | 750 | 10,592 | - | (186,068) |
| **GENERAL REVENUES** | | | | | |
| Property Taxes | | | | | 81,519 |
| Property Tax Admin. Fee | | | | | 26,550 |
| State Shared Revenue | | | | | 159,970 |
| Swamp Tax | | | | | 6,722 |
| Interest Earnings | | | | | 14,257 |
| Other | | | | | 1,352 |
| Total General Revenues | | | | | 290,370 |
| Change in Net Assets | | | | | 104,302 |
| Net Assets - Beginning of Year | | | | | 860,380 |
| Net Assets - End of Year | | | | | 964,682 |

See accompanying notes to the financial statements

**TOWNSHIP OF HAYES**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**MARCH 31, 2004**

| | GENERAL FUND |
|---|---|
| **ASSETS** | |
| Cash | $ 79,587 |
| Certificates of Deposit | 751,732 |
| Delinquent Taxes Receivable | 11,161 |
| Due From Other Funds | 3,632 |
| Total Assets | 846,112 |
| **LIABILITIES AND FUND EQUITY** | |
| **Liabilities:** | |
| Accounts Payable | $ - |
| **Fund Equity:** | |
| Fund Balance -Undesignated, Unreserved | $ 842,856 |
| Fund Balance - Desiganated | 3,256 |
| Total Fund balance | 846,112 |
| Total Liabilities and Fund Equity | $ 846,112 |

See accompanying notes to the financial statements

**TOWNSHIP OF HAYES**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**
**TO THE STATEMENT OF NET ASSETS**
**MARCH 31, 2004**

| | | |
|---|---|---|
| **TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES PER THE BALANCE SHEET - PAGE 3** | $ | 846,112 |
| Amounts reported for governmental activities in the Statement of Net Assets (page 1) are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not used in the funds | | 118,570 |
| **TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER THE STATEMENT OF NET ASSETS - PAGE 1** | $ | 964,682 |

See accompanying notes to the financial statements

**TOWNSHIP OF HAYES**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**GOVERNMENTAL FUNDS**
**YEAR ENDED MARCH 31, 2004**

| | GENERAL FUND |
|---|---|
| **Revenues:** | |
| Taxes and Assessments | $ 81,519 |
| State Shared Revenue | 166,692 |
| Charges for Services | 37,142 |
| Interest | 14,257 |
| Rents and Royalties/Other | 2,102 |
| Total Revenues | $ 301,712 |
| **Expenditures:** | |
| General Government | $ 149,717 |
| Public Safety: | |
| Fire | 34,959 |
| Roads | 6,808 |
| Total Expenditures | $ 191,484 |
| Excess of Revenues Over Expenditures | $ 110,228 |
| **Fund Balance - Beginning of Year** | 735,884 |
| **Fund Balance - End of Year** | $ 846,112 |

See accompanying notes to the financial statements.

**TOWNSHIP OF HAYES**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**YEAR ENDED MARCH 31, 2004**

| | | |
|---|---|---|
| **NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS PER THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 5** | $ | 110,228 |
| Amounts reported for governmental activities in the Statement of Activities (page 2) are different because: | | |
| Depreciation expense is recorded in the statement of activities, but not in the governmental fund financial statements | | (5,926) |
| **CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES - PAGE 2** | $ | 104,302 |

See accompanying notes to the financial statements

**TOWNSHIP OF HAYES**
**STATEMENT OF FIDUCIARY NET ASSETS**
**FIDUCIARY FUND**
**MARCH 31, 2004**

| | |
|---|---|
| **ASSETS** | |
| Cash | $ 3,632 |
| **LIABILITIES** | |
| Due to Other Funds | 3,632 |
| **NET ASSETS** | |
| Net Assets | $ - |

See accompanying notes to the financial statements

**TOWNSHIP OF HAYES**
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**
**YEAR ENDED MARCH 31, 2004**

| | |
|---|---|
| **RECEIPTS** | |
| Property Taxes and Interest | $ 2,503,875 |
| **DISBURSEMENTS** | |
| Property Taxes and Interest | 2,503,875 |
| Change in Fiduciary Net Assets | - |
| Fiduciary Net Assets - Beginning of Year | - |
| Fiduciary Net Assets - End of Year | $ - |

See accompanying notes to the financial statements

## NOTE A: ENTITY

The Township of Hayes is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services. The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Hayes Township.

The Otsego County Fire Board provides fire protection services to the Township. The Board is comprised of several governmental units in Otsego County including Hayes Township. Fire services are also provided to portions of the Township by the Otsego Lake Township Fire Department. Costs of operating both departments are shown as expenses of the general fund. The Township has no oversight responsibilities for these fire departments.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Hayes Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Hayes Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### GOVERNMENT WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

#### *Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

#### *Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FUND TYPES AND MAJOR FUNDS

#### *Governmental Funds*

The Township reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and State shared revenues.

#### *Other Funds*

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

#### *Government-Wide Financial Statements*

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled $90,546,300.

The tax rates for the year ended March 31, 2004, were as follows:

| PURPOSE | RATE/ASSESSED VALUATION |
|---|---|
| General | 0.9000 mills per $1,000 |

### BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### BUDGET (CONTINUED)

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 and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2004, no over-expenditures were noted.

### CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of $2,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated 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 | 25 – 40 |
| Improvements, other than buildings | 10 – 20 |
| Machinery and equipment | 5 – 10 |
| Vehicles | 5 – 10 |

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over $1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

## NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

The Township currently has no long-term debt.

### USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

## NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less. Investments consist of certificates of deposit with original maturities in excess of 90 days.

All cash and investment deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.
Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.
Category 3 – Uncollateralized.

## NOTE C: CASH AND INVESTMENTS (CONTINUED)

| | BANK BALANCE | CATEGORY 1 | CATEGORY 2 | CATEGORY 3 | CARRYING AMOUNT |
|---|---|---|---|---|---|
| Cash | $ 79,889 | $ 79,889 | $ - | $ - | $ 79,587 |
| Investments | 751,732 | 405,000 | - | 346,732 | 751,732 |
| Trust & Agency | 3,632 | - | - | 3,632 | 3,632 |

## NOTE D: DUE FROM/TO OTHER FUNDS

This amount, $3,632, represents undisbursed funds in the current tax collection fund at March 31, 2004.

## NOTE E: CAPITAL ASSETS

| | CAPITAL ASSETS NOT DEPRECIATED | CAPITAL ASSETS DEPRECIATED | | |
|---|---|---|---|---|
| | Land | Building & Improvements | Equipment | Totals |
| ***Governmental Activities*** | | | | |
| *Capital Assets* | | | | |
| Balance, April 1, 2003 | $ 21,000 | $ 118,672 | $ 10,000 | $ 149,672 |
| Increases | - | - | - | - |
| Decreases | - | - | - | - |
| Balance, March 31, 2004 | 21,000 | 118,672 | 10,000 | 149,672 |
| *Accumulated Depreciation* | | | | |
| Balance, April 1, 2003 | - | 23,176 | 2,000 | 25,176 |
| Increases | - | 3,926 | 2,000 | 5,926 |
| Decreases | - | - | - | - |
| Balance, March 31, 2004 | - | 27,102 | 4,000 | 31,102 |
| *Capital Assets, Net* | $ 21,000 | $ 91,570 | $ 6,000 | $ 118,570 |

Depreciation expense was not charged to functions of the Township - it is stated as "unallocated depreciation" on the Statement of Activities.

## NOTE F LONG-TERM DEBT

The Township had no long-term debt as of March 31, 2004.

## NOTE G: FUND BALANCE/NET ASSETS

### DESIGNATION OF FUND BALANCE

The Township has designated fund balance in the amount of $3,256 for care of the cemetery.

### CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective April 1, 2003. The following represents the reconciliation of the Townships fund balance as of April 1, 2003, to its beginning net assets balance, as presented in the Statement of Activities, for the year ended March 31, 2004:

| | |
|---|---|
| Total Fund Balance, April 1, 2003 | $ 735,884 |
| Record capital assets | 149,672 |
| Record accumulated depreciation | ( 25,176) |
| Beginning Net Assets, April 1, 2003 | $ 860,380 |

## NOTE H: PENSION PLAN

The Township of Hayes contributes to the Township of Hayes Money Purchase Pension Plan, which is a defined contribution pension plan.
A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all employees over the age of 18 are eligible to participate in the plan. Contributions made by both the township and employees vest immediately. The participant will receive distributions at their election on or after the anniversary date following termination of employment. The plan requires the Township to contribute 12% of the eligible employees wages. During the year, the Township contributed $11,993 to the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

## NOTE I: CONTINGENCIES

### INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF HAYES**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**
**GENERAL FUND**
**YEAR ENDED MARCH 31, 2004**

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL | VARIANCE FROM FINAL AMENDED BUDGET |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property Taxes | $ 77,000 | $ 77,000 | $ 81,519 | $ 4,519 |
| State Grants: | | | | |
| State Revenue Sharing | 140,000 | 140,000 | 159,970 | 19,970 |
| Swamp Tax | 6,700 | 6,700 | 6,722 | 22 |
| Charges for Services: | | | | |
| Prop. Tax Administration Fee | 23,000 | 23,000 | 26,550 | 3,550 |
| Summer Tax Reimbursement | - | - | 10,592 | 10,592 |
| Interest Earnings | 10,010 | 10,010 | 14,257 | 4,247 |
| Rents and Royalties | 500 | 500 | 941 | 441 |
| Cemetery Lot Sales | 200 | 200 | 750 | 550 |
| Reimburse & Rebates Misc. | - | - | 411 | 411 |
| Total Revenues | 257,410 | 257,410 | 301,712 | 44,302 |
| **EXPENDITURES** | | | | |
| **GENERAL GOVERNMENT** | | | | |
| **Township Board:** | | | | |
| Salaries | 7,800 | 7,800 | 7,800 | - |
| FICA | 800 | 800 | 885 | (85) |
| Pension | 12,000 | 12,000 | 11,993 | 7 |
| Insurance/Bonds | 6,500 | 6,500 | 5,055 | 1,445 |
| Refuse Cleanup/Recycle | 4,000 | 4,000 | 3,741 | 259 |
| Postage Meter | 6,000 | 6,000 | 3,531 | 2,469 |
| Association Dues | 2,300 | 2,300 | 2,130 | 170 |
| Computer Software/Hardware | 3,300 | 3,300 | 6,395 | (3,095) |
| M-Tech Grant | 1,000 | 1,000 | 1,000 | - |
| Education & Seminars | 4,000 | 4,000 | 989 | 3,011 |
| Professional Fees | 3,400 | 3,400 | 1,317 | 2,083 |
| Miscellaneous | 1,474 | 1,474 | 1,257 | 217 |
| Total Township Board | 52,574 | 52,574 | 46,093 | 6,481 |
| **Supervisor:** | | | | |
| Salary | 13,400 | 13,400 | 13,200 | 200 |
| Rent | 360 | 360 | 360 | - |
| Telephone | 340 | 340 | 343 | (3) |
| Travel | 140 | 140 | 120 | 20 |
| Total Supervisor | $ 14,240 | $ 14,240 | $ 14,023 | $ 217 |

TOWNSHIP OF HAYES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2004

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL | VARIANCE FROM FINAL AMENDED BUDGET |
|---|---|---|---|---|
| **Election:** | | | | |
| Wages | $ 1,200 | $ 1,200 | $ 674 | $ 526 |
| Supplies | 200 | 200 | - | 200 |
| Capital Outlay | 200 | 200 | - | 200 |
| Total Election | 1,600 | 1,600 | 674 | 926 |
| **Assessor:** | | | | |
| Salary | 36,000 | 36,000 | 36,000 | - |
| Data Processing | 2,600 | 2,600 | 2,338 | 262 |
| Supplies | 300 | 300 | 529 | (229) |
| Travel | 400 | 400 | 316 | 84 |
| Miscellaneous | 300 | 300 | 95 | 205 |
| Total Assessor | 39,600 | 39,600 | 39,278 | 322 |
| **Clerk:** | | | | |
| Salary | 18,000 | 18,000 | 18,000 | - |
| Deputy Clerk Wages | 400 | 400 | - | 400 |
| Rent | 360 | 360 | 360 | - |
| Supplies and Other | 490 | 490 | 152 | 338 |
| Total Clerk | 19,250 | 19,250 | 18,512 | 738 |
| **Board of Review:** | | | | |
| Salaries & Wages | 1,000 | 1,000 | 606 | 394 |
| **Treasurer:** | | | | |
| Salary | 23,400 | 23,400 | 23,400 | - |
| Wages | 2,200 | 2,200 | 1,332 | 868 |
| Supplies | 1,200 | 1,200 | 1,166 | 34 |
| Rent | 360 | 360 | 360 | - |
| Telephone/Misc. | 200 | 200 | 51 | 149 |
| Total Treasurer | $ 27,360 | $ 27,360 | $ 26,309 | $ 1,051 |

**TOWNSHIP OF HAYES**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**
**IN FUND BALANCE - BUDGET AND ACTUAL**
**GENERAL FUND**
**YEAR ENDED MARCH 31, 2004**

| | ORIGINAL BUDGET | FINAL AMENDED BUDGET | ACTUAL | VARIANCE FROM FINAL AMENDED BUDGET |
|---|---|---|---|---|
| **Township Hall:** | | | | |
| Wages | $ 200 | $ 200 | $ - | $ 200 |
| Utilities | 2,600 | 2,600 | 1,568 | 1,032 |
| Lawn Care | 900 | 900 | 500 | 400 |
| Snow Removal | 400 | 400 | 150 | 250 |
| Repairs and Maintenance | 1,000 | 1,000 | 35 | 965 |
| Supplies | 200 | 200 | 15 | 185 |
| Capital Outlay | 500 | 500 | - | 500 |
| Total Township Hall | 5,800 | 5,800 | 2,268 | 3,532 |
| **Cemetery:** | | | | |
| Lawn Care | 2,000 | 2,000 | 1,708 | 292 |
| Repairs & Maintenance | 600 | 600 | 246 | 354 |
| Capital Outlay | 500 | 500 | - | 500 |
| Miscellaneous | 150 | 150 | - | 150 |
| Total Cemetery | 3,250 | 3,250 | 1,954 | 1,296 |
| **Total General Government** | 164,674 | 164,674 | 149,717 | 14,957 |
| **Public Safety:** | | | | |
| Fire Protection | 38,600 | 38,600 | 34,959 | 3,641 |
| **Roads** | 110,000 | 110,000 | 6,808 | 103,192 |
| **Total Expenditures** | 313,274 | 313,274 | 191,484 | 121,790 |
| **Excess of Revenues over Expenditures** | (55,864) | (55,864) | 110,228 | 166,092 |
| **Fund Balance - Beginning of Year** | 735,884 | 735,884 | 735,884 | - |
| **Fund Balance - End of Year** | $ 680,020 | $ 680,020 | $ 846,112 | $ 166,092 |