

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF HAYNES	County ALCONA
Fiscal Year End 03/31/2007	Opinion Date 07/31/2007	Date Audit Report Submitted to State 08/31/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

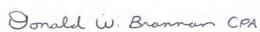
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

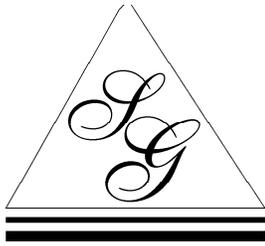
YES NO **Check each applicable box below.** (See instructions for further detail.)

- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- The local unit has adopted a budget for all required funds.
- A public hearing on the budget was held in accordance with State statute.
- The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- The local unit only holds deposits/investments that comply with statutory requirements.
- The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- The local unit is free of repeated comments from previous years.
- The audit opinion is UNQUALIFIED.
- The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- The board or council approves all invoices prior to payment as required by charter or statute.
- To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) STEPHENSON, GRACIK & CO., P.C.		Telephone Number (989)362-4491	
Street Address 325 NEWMAN STREET, PO BOX 592		City EAST TAWAS	State Zip MI 48730
Authorizing CPA Signature  <small>Digitally signed by Stephenson, Gracik and Co., P.C. DN: cn=Stephenson, Gracik and Co., P.C., c=US Date: 2007.08.10 09:51:23 -0500</small>	Printed Name DONALD W. BRANNAN		License Number 1101021039



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Gerald D Gracik Jr., CPA  
James J Gracik, CPA  
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Donald W. Brannan, CPA  
Kyle E Troyer, CPA

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Herman A Bertuleit, CPA

TOWNSHIP OF HAYNES  
ALCONA COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED MARCH 31, 2007

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**AUDITORS' REPORT**

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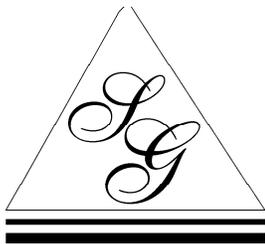
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Herman A Bertuleit, CPA

July 31, 2007

Independent Auditors' Report

Members of the Township Board  
Township of Haynes  
Alcona County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Haynes, Alcona County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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.

As described more fully in Note 2, management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Haynes, Alcona County, Michigan, as of March 31, 2007, or the changes in its financial position for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007, on our consideration of the Township of Haynes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is 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 required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Haynes has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Stephenson, Gracik & Co., P.C.*

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TOWNSHIP OF HAYNES  
Alcona County, Michigan

BALANCE SHEET  
GOVERNMENTAL FUNDS  
March 31, 2007

	<u>General</u>	<u>Road Fund</u>	<u>Other Governmental Funds Budget Stabilization</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 189,056	\$ 63,884	\$ 5	\$ 252,945
Investments (Note 3)	50,121	0	20,617	70,738
Taxes receivable	1,696	2,745	0	4,441
Due from other funds (Note 5)	15	5	0	20
Restricted assets:				
Cash and cash equivalents (Note 3)	<u>28,270</u>	<u>0</u>	<u>0</u>	<u>28,270</u>
Total Assets	<u>\$ 269,158</u>	<u>\$ 66,634</u>	<u>\$ 20,622</u>	<u>\$ 356,414</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accrued liabilities	<u>\$ 667</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 667</u>
<u>Fund Equity</u>				
Fund Balances:				
Reserved (Note 1)	28,270	0	0	28,270
Unreserved:				
Undesignated, reported in:				
General fund	240,221	0	0	240,221
Special revenue funds	<u>0</u>	<u>66,634</u>	<u>20,622</u>	<u>87,256</u>
Total fund equity	<u>268,491</u>	<u>66,634</u>	<u>20,622</u>	<u>355,747</u>
Total Liabilities and Fund Equity	<u>\$ 269,158</u>	<u>\$ 66,634</u>	<u>\$ 20,622</u>	<u>\$ 356,414</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended March 31, 2007

	<u>General</u>	<u>Road Fund</u>	<u>Other Governmental Funds Budget Stabilization</u>	<u>Total Governmental Funds</u>
<u>Revenue</u>				
Current property taxes	\$ 41,661	\$ 49,863	\$ 0	\$ 91,524
Licenses and permits	610	0	0	610
State revenue	52,060	0	0	52,060
Charges for services	2,960	0	0	2,960
Interest and rentals	6,403	718	864	7,985
Other revenue	76	0	0	76
Total revenue	<u>103,770</u>	<u>50,581</u>	<u>864</u>	<u>155,215</u>
<u>Expenditures</u>				
Current:				
General government	54,180	0	0	54,180
Public safety	12,500	0	0	12,500
Public works	3,035	35,326	0	38,361
Community and economic development	2,242	0	0	2,242
Other functions	3,093	0	0	3,093
Capital outlay	1,043	0	0	1,043
Total expenditures	<u>76,093</u>	<u>35,326</u>	<u>0</u>	<u>111,419</u>
Excess of revenue over expenditures	<u>27,677</u>	<u>15,255</u>	<u>864</u>	<u>43,796</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	1,019	0	0	1,019
Operating transfers out	<u>0</u>	<u>0</u>	<u>(1,019)</u>	<u>(1,019)</u>
Total other financing sources (uses)	<u>1,019</u>	<u>0</u>	<u>(1,019)</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures and other uses	28,696	15,255	(155)	43,796
Fund balances - beginning of year	<u>239,795</u>	<u>51,379</u>	<u>20,777</u>	<u>311,951</u>
Fund balances - end of year	<u>\$ 268,491</u>	<u>\$ 66,634</u>	<u>\$ 20,622</u>	<u>\$ 355,747</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
March 31, 2007

	<u>Tax Account</u>
<u>ASSETS</u>	
Cash and cash equivalents (Note 3)	<u>\$ 254</u>
<u>LIABILITIES</u>	
Due to county	\$ 97
Due to schools	137
Due to other funds (Note 5)	<u>20</u>
	<u>\$ 254</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Haynes have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The following is a summary of significant accounting policies.

A. Description of Township Operations and Fund Types

The Township of Haynes operates under an elected Township Board (five members) and provides services to its residents in many areas, including road maintenance and fire protection.

The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except as noted in Note 2. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

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 Township. Revenues are derived primarily from property taxes, state and federal distributions, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The other governmental fund of the Township accounts for interest and other resources whose use is restricted for a particular purpose; the accumulation of resources for the stabilization of the Township's budget.

**Fiduciary Fund**

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund is used to account for assets held in trust or as an agent for others, and consists of the Current Tax Collection Fund.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

The Township's basic financial statements consist of fund financial statements which provide a detailed level of financial information .

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the Township's funds are considered major funds, except for the Budget Stabilization Fund. Fiduciary funds are reported by type.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions:

On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within 60 days after year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, licenses and permits, state-levied locally shared taxes (including sales tax), grants, interest and rent.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Expenditures:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Budgets and Budgetary Accounting

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

1. The Township clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

H. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Restricted Assets and Reserved Fund Balance

The restricted assets and fund balance reserves represent the assets held to be used solely for the purpose of paying for future capital improvements, cemetery expenses and metro act road expenses.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Township Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

NOTE 2 - OMITTED FINANCIAL STATEMENTS

The Township did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Township believes that the cost of implementing the statements may exceed the benefit of the additional information. However, because management has not recorded certain fixed assets and general infrastructure assets in the governmental activities and because the amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable, an adverse opinion was issued on the financial statements taken as a whole.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 252,945	\$ 254	\$ 253,199
Investments	<u>70,738</u>	<u>0</u>	<u>70,738</u>
Total Current Assets	323,683	254	323,937
<u>Restricted Assets</u>			
Cash and Cash Equivalents	<u>28,270</u>	<u>0</u>	<u>28,270</u>
	<u>\$ 351,953</u>	<u>\$ 254</u>	<u>\$ 352,207</u>

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking, savings accounts, and certificates of deposit)	\$ 75,545
Investments in Municipal Investment Account Pooled Funds	<u>276,662</u>
Total	<u>\$ 352,207</u>

As of March 31, 2007, the Township had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 276,662</u>	Daily

Credit Risk

State Law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The Township's investment pools are unrated.

Custodial Credit Risk – Deposits – Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$0 of the Township's bank balance of \$75,743 was exposed to custodial credit risk.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Township's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

NOTE 4 - UNEMPLOYMENT COMPENSATION

The Township is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Township must reimburse the Employment Agency for all benefits charged against the Township. No liabilities have been incurred as of March 31, 2007.

NOTE 5 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

The amounts of interfund receivables and payables as of March 31, 2007 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 15	\$ 0
Road Fund	<u>5</u>	<u>0</u>
Total Major Governmental Funds	20	0
Fiduciary Funds	<u>0</u>	<u>20</u>
Total	<u>\$ 20</u>	<u>\$ 20</u>

The amounts of interfund receivables and payables for the primary government as of March 31, 2007 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 15	Tax Account	\$ 15
Road Fund	<u>5</u>	Tax Account	<u>5</u>
Total	<u>\$ 20</u>	Total	<u>\$ 20</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 6 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
General government:			
Cemetery	\$ 4,100	\$ 4,403	\$ 303

NOTE 7 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$51,410,223. The tax rates were .4754 mills for operations and .9703 mills for roads.

NOTE 8 - OPERATING TRANSFERS

During the year ended March 31, 2007, the following transfers were made:

<u>Description</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 1,019	\$ 0
Non-major Governmental Funds	<u>0</u>	<u>1,019</u>
	<u>\$ 1,019</u>	<u>\$ 1,019</u>

TOWNSHIP OF HAYNES  
Alcona County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2007

NOTE 8 - OPERATING TRANSFERS (CONTINUED)

During the year ended March 31, 2007, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
General Fund	<u>\$ 1,019</u>	Budget Stabilization Fund	<u>\$ 1,019</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10 - PENSION PLAN

The Township has established a non-standardized money purchase pension plan with Travelers Life Insurance Company, a defined contribution pension plan, effective July 1, 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date or on any anniversary date, have attained age 18. Vesting is 100% upon entering the plan. Each employee must contribute 7.0% of their gross earnings to the plan. The Township is required to contribute an amount equal to 7.0% of the employee's gross earnings.

During the year, the Township's required contributions amounted to \$2,371 which was 7.0% of its current-year covered payroll. The Township's actual contributions amounted to \$2,371. Employees required contributions amounted to \$2,371, which was 7.0% of its current-year covered payroll. The employee's actual contributions amounted to \$2,371. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. Plan provisions and contribution requirements are established and may be amended by the Township of Haynes' Board.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF HAYNES  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

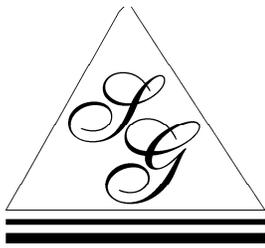
For the Year Ended March 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 39,300	\$ 39,300	\$ 41,661	\$ 2,361
Licenses and permits	700	700	610	(90)
State revenue	51,500	51,500	52,060	560
Charges for services	1,000	1,000	2,960	1,960
Interest and rentals	2,320	2,320	6,403	4,083
Other revenue	450	450	76	(374)
Total revenue	<u>95,270</u>	<u>95,270</u>	<u>103,770</u>	<u>8,500</u>
<u>Expenditures</u>				
Current:				
General government				
Township Board	13,502	13,502	8,010	5,492
Supervisor	4,796	4,796	4,410	386
Elections	4,000	4,000	2,673	1,327
Assessor	11,100	11,100	10,658	442
Board of review	1,300	1,300	823	477
Clerk	9,858	9,858	8,924	934
Treasurer	12,920	12,920	11,436	1,484
Building & grounds	4,400	4,400	2,843	1,557
Cemetery	4,100	4,100	4,403	(303)
Public safety				
Fire protection	13,000	13,000	12,500	500
Public works				
Highways and streets	20,700	20,700	1,235	19,465
Township cleanup	1,800	1,800	1,800	0
Community and economic development				
Planning commission	4,482	4,482	2,242	2,240
Other functions				
Employee benefits	3,900	3,900	3,093	807
Contingency	8,000	8,000	0	8,000
Capital outlay	3,000	3,000	1,043	1,957
Total expenditures	<u>120,858</u>	<u>120,858</u>	<u>76,093</u>	<u>44,765</u>
Excess of revenue over (under) expenditures	(25,588)	(25,588)	27,677	53,265
<u>Other Financing Sources</u>				
Operating transfers in	<u>0</u>	<u>0</u>	<u>1,019</u>	<u>1,019</u>
Excess of revenue and other sources over (under) expenditures	(25,588)	(25,588)	28,696	54,284
Fund balances - beginning of year	<u>239,795</u>	<u>239,795</u>	<u>239,795</u>	<u>0</u>
Fund balances - end of year	<u>\$ 214,207</u>	<u>\$ 214,207</u>	<u>\$ 268,491</u>	<u>\$ 54,284</u>

TOWNSHIP OF HAYNES  
Alcona County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
ROAD FUND - SPECIAL REVENUE FUND  
For the Year Ended March 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Current property taxes	\$ 46,832	\$ 46,832	\$ 49,863	\$ 3,031
Interest	110	110	718	608
Total revenue	<u>46,942</u>	<u>46,942</u>	<u>50,581</u>	<u>3,639</u>
<u>Expenditures</u>				
Current:				
Public works	<u>45,000</u>	<u>45,000</u>	<u>35,326</u>	<u>9,674</u>
Excess of revenue over expenditures	1,942	1,942	15,255	13,313
Fund balances - beginning of year	<u>51,379</u>	<u>51,379</u>	<u>51,379</u>	<u>0</u>
Fund balances - end of year	<u>\$ 53,321</u>	<u>\$ 53,321</u>	<u>\$ 66,634</u>	<u>\$ 13,313</u>



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

Alan J Stephenson, CPA  
Gerald D Gracik Jr., CPA  
James J Gracik, CPA  
E. Thad Gray, CPA  
Donald W. Brannan, CPA  
Kyle E Troyer, CPA  
-----  
Herman A Bertuleit, CPA

July 31, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Township Board  
Township of Haynes  
Alcona County, Michigan

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Haynes as of and for the year ended March 31, 2007, which collectively comprise a portion of the Township's basic financial statements and have issued our report thereon dated July 31, 2007. The report on the governmental activities was adverse because the Government-Wide Financial Statements were not included in the basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Haynes' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Haynes' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Haynes' internal control over financial reporting.

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

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 combination of control deficiencies, that adversely affects the Township of Haynes' 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 Township of Haynes' financial statements that is more than inconsequential will not be prevented or detected by the Township of Haynes' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions due to a limited staff size. The financial controls could be strengthened by changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks, without access to noncash accounting records and not involved in reconciling bank accounts. A different person should prepare checks and reconcile the bank accounts. The cost exceeds the benefit of correcting this weakness, thus management has deemed that a corrective action is not practicable under the circumstances.

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Financial Statement Preparation

The Township uses accounting software generated financial statements as a management tool to monitor the financial status of the Township, prepare budgets and to compare current financial trends to historical information. Due to the complexity of the required government-wide financial statements and related note disclosures, the Township does not demonstrate the expertise to properly report in accordance with U.S. generally accepted accounting principles without auditor intervention.

A material weakness is a significant deficiency, or 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 Township of Haynes' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

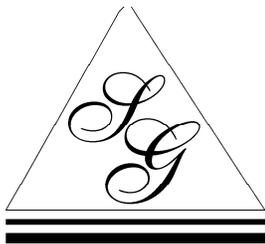
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Haynes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated July 31, 2007.

This report is intended solely for the information and use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grubb & Co., P.C.*



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Kyle E Troyer, CPA

-----  
Herman A Bertuleit, CPA

July 31, 2007

Members of the Township Board  
Township of Haynes  
Alcona County, Michigan

Dear Board Members:

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Haynes for the year ended March 31, 2007, and have issued our report thereon dated July 31, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 22, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Haynes. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Haynes' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Haynes are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of Haynes during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Haynes' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Haynes, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Haynes' financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Haynes' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

Additional Information

As a result of our study and evaluation of the internal controls and tests of compliance as described in the third and fourth paragraphs, certain matters came to our attention upon which we would like to comment and offer the following recommendations:

Separation of Duties in the Performance of Functions

The present system of internal accounting controls does not provide for separation of duties in the performance of functions due to a limited staff size. The financial controls could be strengthened by changes in the personnel assigned to perform certain functions.

We recommend that the cash receipts and cash disbursements functions be handled by different individuals. Cash receiving should be centralized in a person without authority to sign checks, without access to noncash accounting records and not involved in reconciling bank accounts. A different person should prepare checks and reconcile the bank accounts. The cost exceeds the benefit of correcting this weakness, thus management has deemed that a corrective action is not practicable under the circumstances.

Financial Statement Preparation

The Township uses accounting software generated financial statements as a management tool to monitor the financial status of the Township, prepare budgets and to compare current financial trends to historical information. Due to the complexity of the required government-wide financial statements and related note disclosures, the Township does not demonstrate the expertise to properly report in accordance with U.S. generally accepted accounting principles without auditor intervention.

Budget Control

The Township incurred expenditures in the General Fund in excess of appropriated amounts. We recommend that the Township Board continue to review the adopted budgets on a periodic basis and amend as needed to be in compliance with the Uniform Budgeting and Accounting Act.

Members of the Township Board  
Township of Haynes  
July 31, 2007  
Page Three

Investment Policy

The Township's investment policy had not been updated for Governmental Accounting Standards (GASB Statements) No. 40-Deposit and Investment Risk Disclosures. We recommend that the Township update their investment policy to comply with GASB No. 40.

Chart of Accounts

We noted that the Township is using a new computer software program for its general ledger and that account numbers have not been assigned in this new software. We recommend that the Township assign account numbers to be in accordance with the Michigan Department of Treasury Uniform Chart of Accounts.

Adopting GASB 34

Governmental Accounting Standards Board Statement No. 34 requires a governmental entity to include a management's discussion and analysis letter, present government wide financial statements on a full accrual basis of accounting, and to report the value of all equipment and vehicles in the financial statements. This standard was applicable for the year ended March 31, 2005, but was not adopted in its entirety by the Township of Haynes because a fixed asset listing was not available. Prior to December 15, 2005, the Michigan Department of Treasury had allowed partial adoption of GASB 34. On November 16, 2006 the Michigan Department of Treasury rescinded MCGAA Statement No 7 allowing partial adoption. All counties and local units of government will be required to adopt GASB 34 in its entirety. For the year ending March 31, 2008, we recommend that GASB 34 be adopted in its entirety, a capitalization policy be adopted, and a fixed asset listing be prepared based on the historical cost of the items. The items should be depreciated over their estimated useful lives. Please feel free to contact us if we may provide further consultation on this matter.

We wish to express our appreciation for the cooperation and courtesies extended our staff by the employees of the Township.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grubb & Co., P.C.*