

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 Hayes Township	County Clare County
Fiscal Year End 6/30/07	Opinion Date October 16, 2007	Date Audit Report Submitted to State December 3, 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.)
- YES NO 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.
 - YES NO 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.
 - YES NO The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - YES NO The local unit has adopted a budget for all required funds.
 - YES NO A public hearing on the budget was held in accordance with State statute.
 - YES NO 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.
 - YES NO The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - YES NO The local unit only holds deposits/investments that comply with statutory requirements.
 - YES NO 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).
 - YES NO 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.
 - YES NO The local unit is free of repeated comments from previous years.
 - YES NO The audit opinion is UNQUALIFIED.
 - YES NO The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). **Cash Basis**
 - YES NO The board or council approves all invoices prior to payment as required by charter or statute.
 - YES NO 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"/>	Not applicable.	
Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants	Telephone Number 989-631-6060		
Street Address 6018 Eastman Ave.	City Midland	State MI	Zip 48640
Authorizing CPA Signature <i>Michael R. Zimmerman</i>	Printed Name Michael R. Zimmerman	License Number 1101018243	

**Hayes Township
Clare County**

**Annual Financial Statements
and
Auditors' Report
June 30, 2007**

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Hayes Township
List of Elected and Appointed Officials
June 30, 2007

Township Board

John Scherrer	Supervisor
Kevin Breese	Clerk
Elizabeth Wilson	Treasurer
Robert Hale	Trustee
Lee Dancer	Trustee



6018 Eastman Avenue
Midland, MI 48640
Phone (989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

Independent Auditors' Report

Township Board
Hayes Township
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Hayes Township as of and for the year ended June 30, 2007, 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 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 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 in Note 1, these financial statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities and each major fund of Hayes Township as of June 30, 2007 and the respective changes in financial position – cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hayes Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

October 16, 2007
Midland, Michigan

Hayes Township
Statement of Net Assets - Cash Basis
June 30, 2007

Assets

Cash \$ 297,642

Net Assets

Restricted for:

 Debt service 10,164

Unrestricted 287,478

Total net assets \$ 297,642

Hayes Township
Statement of Activities - Cash Basis
For the Year Ended June 30, 2007

		Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Primary government				
Governmental activities				
General government	\$ 330,239	\$ 146,421	\$ -	\$ -
Public safety	108,812	-	-	-
Public works	537,616	290,145	-	-
Community and economic development	10,092	79,291	-	-
Recreation and culture	109,578	-	-	61,316
Debt service	10,164	-	-	-
	<u>\$ 1,106,501</u>	<u>\$ 515,857</u>	<u>\$ -</u>	<u>\$ 61,316</u>
Total governmental activities				<u>(529,328)</u>
General revenues				
Property taxes				194,688
State shared revenue				356,555
Unrestricted investment earnings				15,235
Miscellaneous				13,006
Total general revenues and transfers				<u>579,484</u>
Change in net assets				50,156
Net assets - beginning of year				<u>247,486</u>
Net assets - end of year				<u>\$ 297,642</u>

See Accompanying Notes to Financial Statements

**Hayes Township
Governmental Funds
Balance Sheet - Cash Basis
June 30, 2007**

	Special Revenue Funds				Recreation Capital Project	Total Governmental Funds
	General	Municipal Street	Rubbish	Gypsy Moth		
Assets						
Cash and cash equivalents	\$ 67,196	\$ 215,007	\$ -	\$ 15,439	\$ -	\$ 297,642
Fund Balances						
Reserved for:						
Debt service	\$ 10,164	\$ -	\$ -	\$ -	\$ -	\$ 10,164
Unreserved, reported in:						
General fund	57,032	-	-	-	-	57,032
Special revenue funds	-	215,007	-	15,439	-	230,446
Total fund balances	\$ 67,196	\$ 215,007	\$ -	\$ 15,439	\$ -	\$ 297,642

Hayes Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis
For the Year Ended June 30, 2007

	Special Revenue Funds				Recreation Capital Project	Total Governmental Funds
	General	Municipal Street	Rubbish	Gypsy Moth		
Revenues						
Taxes	\$ 121,181	\$ 73,507	\$ -	\$ -	\$ -	\$ 194,688
Licenses and permits	2,225	-	-	-	-	2,225
State revenue sharing	356,555	-	-	-	-	356,555
Other state grants	23,468	-	-	-	37,848	61,316
Local contributions	1,061	-	-	-	-	1,061
Charges for services	15,238	-	290,145	128,958	-	434,341
Interest income	15,235	-	-	-	-	15,235
Rental income	79,291	-	-	-	-	79,291
Other revenue	11,945	-	-	-	-	11,945
Total revenues	626,199	73,507	290,145	128,958	37,848	1,156,657
Expenditures						
Current						
General government	264,953	-	-	-	-	264,953
Public safety	108,812	-	-	-	-	108,812
Public works	49,326	-	348,340	139,950	-	537,616
Community and economic development	10,092	-	-	-	-	10,092
Recreation and culture	71,730	-	-	-	37,848	109,578
Other functions	65,286	-	-	-	-	65,286
Debt service						
Principal retirement	9,219	-	-	-	-	9,219
Interest and fiscal charges	945	-	-	-	-	945
Total expenditures	580,363	-	348,340	139,950	37,848	1,106,501
Excess (deficiency) of revenues over expenditures	45,836	73,507	(58,195)	(10,992)	-	50,156

See Accompanying Notes to Financial Statements

Hayes Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances - Cash Basis
For the Year Ended June 30, 2007

	Special Revenue Funds				Recreation Capital Project	Total Governmental Funds
	General	Municipal Street	Rubbish	Gypsy Moth		
Other financing sources (uses)						
Transfers in	-	-	58,195	-	-	58,195
Transfers out	(58,195)	-	-	-	-	(58,195)
 Total other financing sources and uses	(58,195)	-	58,195	-	-	-
 Net change in fund balance	(12,359)	73,507	-	(10,992)	-	50,156
 Fund balance - beginning of year	79,555	141,500	-	26,431	-	247,486
 Fund balance - end of year	\$ 67,196	\$ 215,007	\$ -	\$ 15,439	\$ -	\$ 297,642

Hayes Township
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2007

	<u>Current Tax Collection</u>	<u>Lake Improvement Fund</u>
Assets		
Cash and cash equivalents	\$ 84	\$ 47,803
Liabilities		
Due to other units of government	\$ 84	\$ -
Due to Sutherland Lake Association	-	16,757
Due to Little Long Lake Association	-	14,137
Due to Cranberry Lake Association	-	16,909
	<u> </u>	<u> </u>
Total liabilities	<u>\$ 84</u>	<u>\$ 47,803</u>

Hayes Township
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayes Township is a regular law Michigan Township with a population in excess of 4,000 people. The following is a summary of the significant accounting policies used by the Township.

Reporting entity

Hayes Township is governed by an elected five-member Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

Government-wide and fund financial statements

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities.

The Township's net assets are reported in two parts (1) restricted net assets and (2) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first. In creating the government-wide financial statements, the Township has eliminated interfund transactions.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported on the cash basis of accounting. Revenues are recorded only when collected and expenditures are recorded only when paid.

The governmental fund financial statements are also reported on the cash basis of accounting, and therefore revenues are recorded only when collected and expenditures are recorded only when paid.

The government reports the following major governmental funds:

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

Hayes Township
Notes to Financial Statements
June 30, 2007

The Municipal Street Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for street projects for which the Township shares a portion of the costs.

The Rubbish Fund is a Special Revenue Fund that receives special assessments used to pay for trash removal activities.

The Gypsy Moth Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for the spraying for gypsy moths.

The Recreation Capital Project Fund is used to account for the construction of the Township's park improvements.

Additionally, the government reports the following:

Agency Funds are used to account for assets held by the Township acting as an agent for individuals, private organizations, other governments, or funds. These funds are custodial in nature and do not involve measurement of the results of operation.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property tax revenue

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the

Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, Harrison Community Schools, Mid Michigan Community College and the Clare Gladwin Regional Education Service District's property taxes.

Taxes collected on behalf of the school districts and Clare County are turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

The 2006 taxable value of the government totaled \$97,756,486. The tax levy for that year was based on the following rates:

	Millage Rate Used	Authorized Millage Rate Per Township
General operating	0.7516	0.7516
Municipal street	0.7516	0.7516
Gypsy moth	1.3200	2.5130

Assets, liabilities, and net assets or equity

Cash – The Township has defined cash to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Long-term obligations – Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources when received and payment of principal and interest are reported as expenditures when paid.

Hayes Township
Notes to Financial Statements
June 30, 2007

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

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis of accounting described in Note 1 for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

During the year, the Township incurred expenditures in certain

budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Debt service	\$ -	\$ 10,164	\$ 10,164
Rubbish Fund	346,000	348,340	2,340

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents
Governmental activities	\$ 297,642
Fiduciary funds	47,887
Total	<u>\$ 345,529</u>

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts and money markets)	\$ 297,392	\$ 47,687
Petty cash and cash on hand	<u>250</u>	<u>200</u>
	<u>\$ 297,642</u>	<u>\$ 47,887</u>

Hayes Township
Notes to Financial Statements
June 30, 2007

Interest rate risk – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

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

Concentration of credit risk – The Township has no policy that would limit the amount that may be invested with any one issuer.

Custodial credit risk – deposits – 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. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$255,898 of the Township’s bank balance of \$355,956 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Rubbish fund	<u>\$ 58,195</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 5 - LEASES

The government leases a mailing machine under a non-cancelable operating lease. Total costs for this lease was \$1,851 for the year ending June 30, 2007. The future minimum lease payments for this lease are as follows:

<u>Year ending December 31,</u>		
2008	\$	2,052
2009		<u>2,052</u>
	\$	<u>4,104</u>

Hayes Township
Notes to Financial Statements
June 30, 2007

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt entered into on behalf of the Oakleaf Subdivision Road Improvements. Debt service is financed by a special assessment levied against property owners within the special assessment district. Revenues from special assessment and expenditures to pay bond principal and interest are reported in General Fund. Since the cash basis of accounting is used, the liability is not recorded on the books of the Township, but is disclosed as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Special assessment obligations									
Oakleaf Subdivision Road Improvements	\$ 78,484	2008	5.00%	\$ 9,680	\$ 18,899	-	\$ 9,219	\$ 9,680	\$ 9,680

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Total
	Principal	Interest	
2008	\$ 9,680	\$ 484	\$ 10,164

NOTE 7 – RESERVED FUND BALANCE

The fund balance in the General Fund has been reserved for the amounts collected on Special Assessments which are for future payments of the assessment payable to the County. The amount available for this debt at June 30, 2007 was \$10,164.

NOTE 8 – AGENCY FUND TYPE – LAKE IMPROVEMENT FUND

The property tax levies beginning in December 1985 included special assessments levied against the benefited taxpayers for the purpose of making improvements to various area lakes. The improvements are being made by the lake associations. The Township is acting as custodian for the special assessment monies (transferred from the

Current Property Tax Collections Fund to the Lake Improvement Fund) until such time as they are spent by the associations.

NOTE 9 -RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township participates in a defined contribution retirement plan administered by Manufacturer's Life Insurance Company. Elected officials and full-time employees are eligible (after three months of employment) for participation in the Township's Pension Investment Plan. The amount of contributions is equal to 15% of the gross annual salary of each official or employee. The contributions amounted to \$30,721 for the year ended June 30, 2007. Payment to

Hayes Township
Notes to Financial Statements
June 30, 2007

the plan represents the only liability of the Township.

NOTE 11 -CONTINGENT LIABILITIES

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Township entered into a transaction totaling \$35,184 with MVW & Associates, Inc. during the year ended June 30, 2007. The owner and operator of MVW & Associates is the father of the Deputy Supervisor of the Township.

The Township also entered into a transaction totaling \$9,702 with Dancer & Sons Well Drilling, Inc. during the year ended June 30, 2007. The owner and operator of Dancer & Sons Well Drilling is a Township Trustee for Hayes Township.

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes				
Property taxes	\$ 88,850	\$ 88,850	\$ 88,456	\$ (394)
Other taxes	575	575	592	17
Administration fee	29,500	32,200	32,133	(67)
Licenses and permits	3,250	3,250	2,225	(1,025)
State revenue sharing	372,000	349,771	356,555	6,784
State grants	26,068	26,068	23,468	(2,600)
Local contributions	1,000	1,000	1,061	61
Charges for services	43,454	15,285	15,238	(47)
Interest income	14,000	12,000	15,235	3,235
Rental income	70,144	78,744	79,291	547
Other revenue	6,300	7,900	11,945	4,045
Total revenues	<u>655,141</u>	<u>615,643</u>	<u>626,199</u>	<u>10,556</u>
Expenditures				
General government				
Township board	22,282	25,486	25,015	(471)
Supervisor	31,645	31,845	30,552	(1,293)
Accounting	500	500	-	(500)
Clerk	51,320	53,208	49,573	(3,635)
Audit	5,000	5,100	5,100	-
Board of review	900	900	700	(200)
Treasurer	68,905	68,645	66,865	(1,780)
Assessor	41,800	42,784	41,625	(1,159)
Elections	6,300	7,086	6,867	(219)
Buildings and grounds	37,900	27,602	25,202	(2,400)

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Attorney	8,000	3,300	3,240	(60)
Cemetery	8,600	10,875	10,214	(661)
Total general government	<u>283,152</u>	<u>277,331</u>	<u>264,953</u>	<u>(12,378)</u>
Public safety				
Police	35,000	43,500	40,441	(3,059)
Fire department	62,000	64,519	64,519	-
Civil defense	5,000	5,000	3,852	(1,148)
Total public safety	<u>102,000</u>	<u>113,019</u>	<u>108,812</u>	<u>(4,207)</u>
Public works				
Highways, streets and bridges	48,000	45,800	45,778	(22)
Street lighting	1,000	1,000	1,043	43
Sanitary land fill	2,600	2,600	2,505	(95)
Total public works	<u>51,600</u>	<u>49,400</u>	<u>49,326</u>	<u>(74)</u>
Community and economic development				
Planning	2,600	2,600	1,794	(806)
Zoning	10,600	9,600	8,298	(1,302)
Total community and economic development	<u>13,200</u>	<u>12,200</u>	<u>10,092</u>	<u>(2,108)</u>
Recreation and culture				
Parks and recreation	7,550	8,625	6,737	(1,888)
Library	25,000	25,000	24,580	(420)
Civic center	60,426	43,410	40,413	(2,997)
Total recreation and culture	<u>92,976</u>	<u>77,035</u>	<u>71,730</u>	<u>(5,305)</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Other functions				
Insurance and bonds	43,100	20,466	19,481	(985)
Unallocated employee fringe benefits	48,500	46,221	45,805	(416)
Total other functions	91,600	66,687	65,286	(1,401)
Debt service				
Principal retirement	-	-	9,219	9,219
Interest and fiscal charges	-	-	945	945
Total debt service	-	-	10,164	10,164
Transfers out	60,000	58,195	58,195	-
Total expenditures	694,528	653,867	638,558	(15,309)
Excess (deficiency) of revenues over expenditures	(39,387)	(38,224)	(12,359)	25,865
Fund balance - beginning of year	79,555	79,555	79,555	-
Fund balance - end of year	\$ 40,168	\$ 41,331	\$ 67,196	\$ 25,865

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Street Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues	\$ 74,300	\$ 74,300	\$ 73,507	\$ (793)
Expenditures	-	-	-	-
Net change in fund balance	74,300	74,300	73,507	(793)
Fund balance - beginning of year	141,500	141,500	141,500	-
Fund balance - end of year	<u>\$ 215,800</u>	<u>\$ 215,800</u>	<u>\$ 215,007</u>	<u>\$ (793)</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Rubbish Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Revenues	\$ 348,031	\$ 348,031	\$ 348,340	\$ 309
Expenditures	<u>346,000</u>	<u>346,000</u>	<u>348,340</u>	<u>2,340</u>
Net change in fund balance	2,031	2,031	-	(2,031)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,031</u>	<u>\$ 2,031</u>	<u>\$ -</u>	<u>\$ (2,031)</u>

Hayes Township
Required Supplemental Information
Budgetary Comparison Schedule
Gypsy Moth Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				Final
				Budget
Revenues	\$ 130,000	\$ 130,000	\$ 128,958	\$ (1,042)
Expenditures	<u>142,950</u>	<u>142,950</u>	<u>139,950</u>	<u>(3,000)</u>
Net change in fund balance	(12,950)	(12,950)	(10,992)	1,958
Fund balance - beginning of year	<u>26,431</u>	<u>26,431</u>	<u>26,431</u>	-
Fund balance - end of year	<u>\$ 13,481</u>	<u>\$ 13,481</u>	<u>\$ 15,439</u>	<u>\$ 1,958</u>

Hayes Township
Other Supplemental Information
Statement of Changes in General Fixed Assets
For the Year Ended June 30, 2007

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Buildings and improvements				
Township hall	\$ 83,845	\$ -	\$ -	\$ 83,845
Community building	195,828	-	-	195,828
Civic center	232,591	-	-	232,591
Cemetery storage building	4,493	-	-	4,493
Park storage building	<u>40,184</u>	<u>-</u>	<u>-</u>	<u>40,184</u>
Total buildings and improvements	556,941	-	-	556,941
Land and improvements	154,487	560,000	(2,800)	711,687
Equipment	<u>377,452</u>	<u>-</u>	<u>(97,147)</u>	<u>280,305</u>
 Total general fixed assets	 <u>\$ 1,088,880</u>	 <u>\$ 560,000</u>	 <u>\$ (99,947)</u>	 <u>\$ 1,548,933</u>

Hayes Township
Other Supplemental Information
Schedule of Indebtedness
June 30, 2007

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Governmental Activities					
Oakleaf Subdivision Road Improvements	5.000%	2008	\$ 9,680	\$ 945	\$ 10,625



6018 Eastman Avenue
Midland, MI 48640
(989) 631-6060 / (800) 701-3574
Fax (989) 631-4288

To The Township Board
Hayes Township
Clare County, Michigan

In planning and performing our audit of the financial statements of Hayes Township for the year ended June 30, 2007, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 16, 2007, on the financial statements of Surrey Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yeo & Yeo, P.C.

Midland, Michigan
October 16, 2007



CURRENT YEAR COMMENTS

STORE CHARGE ACCOUNTS

During our disbursements testing we have noted that some expenses charged to the store charge accounts were missing supporting documentation. Per the Township informal policy every charge to a store account should be supported by receipt when submitted by the employees.

Recommendation

We recommend that the Township adopts a formal store charge accounts policy and reviews it with all employees. This policy should be reinforced for any future purchases made to store accounts.

CONFLICT OF INTEREST POLICY

During our review of procedures for Hayes Township, we have noticed that the Township has not formally adopted a Conflict of Interest Policy.

Recommendation

We recommend the Township adopts a "Conflict of Interest Policy" that specifies that personnel in a position of trust are not related to each other; employees are prohibited from having business dealings with companies affiliated with, or acting as major customers or suppliers of the Township; transactions with Board members are adequately controlled and disclosed in the records; and such transactions only occur in the normal course of business and are legally authorized.