

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

CADILLAC, MICHIGAN

DECEMBER 31, 2014



Baird, Cotter & Bishop, P.C.
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CERTIFIED PUBLIC ACCOUNTANTS
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CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

DECEMBER 31, 2014

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CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

DECEMBER 31, 2014

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May 22, 2015

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Charter Township of Haring
Wexford County
Cadillac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Haring, Wexford County, Cadillac, Michigan as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Haring, Wexford County, Cadillac, Michigan as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv through xii and 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Haring, Michigan's basic financial statements. The individual fund financial statements and other information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of Charter Township of Haring, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Township of Haring, Michigan's internal control over financial reporting and compliance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

Management's Discussion and Analysis

The management of the Charter Township of Haring, Michigan ("the Township") offers this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2014, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Township's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of Charter Township of Haring exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,125,913 (*net position*). Of this amount, \$1,529,179 represents unrestricted net position, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,272,989, an increase of \$131,188 in comparison with the prior year. Approximately 52% of this amount (\$667,137) is available for spending at the Township's discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$949,253.
- ❖ The Township's total outstanding long-term debt increased by \$3,013,000 during the current fiscal year to a total of \$3,563,000.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to Charter Township of Haring's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the Township's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, recreation and culture, and other functions. The business-type activities of the Township include water and sewer services.

The government-wide financial statements can be found on pages 1-3 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Liquor Law Enforcement Fund, and Fire Vehicle Replacement Fund, which are considered to be major funds.

Charter Township of Haring adopts an annual appropriated budget for the General Fund and Liquor Law Enforcement Fund. A budgetary comparison has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary Funds The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

The basic proprietary fund financial statements can be found on pages 8-12 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Charter Township of Haring maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for individuals, private organizations and other governments.

The fiduciary fund financial statements can be found on page 13 of this report.

Notes to Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 14-28 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Charter Township of Haring, assets exceeded liabilities and deferred inflows of resources by \$5,007,913 at the close of the most recent fiscal year.

Charter Township of Haring
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Assets						
Current Assets	\$ 1,299,602	\$ 1,359,920	\$ 311,479	\$ 1,143,989	\$ 1,611,081	\$ 2,503,909
Restricted Assets	0	0	3,345	255,483	3,345	255,483
Non Current Assets						
Capital Assets	2,482,409	2,491,442	1,249,658	6,636,751	3,732,067	9,128,193
Less						
Accumulated Depreciation	(1,748,522)	(1,794,160)	(428,019)	(445,401)	(2,176,541)	(2,239,561)
Total Non Current Assets	733,887	697,282	821,639	6,191,350	1,555,526	6,888,632
Total Assets	2,033,489	2,057,202	1,136,463	7,590,822	3,169,952	9,648,024

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

*Charter Township of Haring
Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Liabilities						
Current Liabilities	(602)	(70,232)	161,830	962,180	161,228	891,948
Noncurrent Liabilities	0	0	515,000	3,473,000	515,000	3,473,000
Total Liabilities	(602)	(70,232)	676,830	4,435,180	676,228	4,364,948
Deferred Inflows of Resources	158,403	157,163	0	0	158,403	157,163
Net Position						
Net Investment in Capital Assets	733,887	697,282	821,639	2,628,350	1,555,526	3,325,632
Restricted for Specific Purposes	13,407	15,619	3,345	255,483	16,752	271,102
Unrestricted - (Deficit)	1,128,394	1,257,370	(365,351)	271,809	763,043	1,529,179
Total Net Position	<u>\$ 1,875,688</u>	<u>\$ 1,970,271</u>	<u>\$ 459,633</u>	<u>\$ 3,155,642</u>	<u>\$ 2,335,321</u>	<u>\$ 5,125,913</u>

The most significant portion of the Township's net position is its net investment in capital assets (\$3,325,632) (e.g. land, buildings, equipment, infrastructure, and others) less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Township's net position represents resources, \$271,102, that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,529,179, may be used to meet the Township's ongoing obligations to citizens and creditors.

Charter Township of Haring's overall net position increased by \$2,790,592 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities and business-type activities.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

*Charter Township of Haring
Change in Net Position*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues						
Program Revenues						
Charges for Services	\$ 53,636	\$ 55,364	\$ 145,559	\$ 478,530	\$ 199,195	\$ 533,894
Operating Grants and Contributions	11,004	9,441	0	0	11,004	9,441
Capital Grants and Contributions	106,285	0	0	623,061	106,285	623,061
General Revenues						
Taxes	302,505	307,170	0	0	302,505	307,170
State Grants	243,718	240,755	0	0	243,718	240,755
Interest Earnings	2,134	1,754	9	237	2,143	1,991
Other	18,987	22,196	39,663	12	58,650	22,208
Contribution from Local Unit	0	0	0	1,927,735	0	1,927,735
Transfers In (Out)	(100,000)	0	100,000	0	0	0
Total Revenues	638,269	636,680	285,231	3,029,575	923,500	3,666,255
Expenses						
General Government	271,560	248,740	0	0	271,560	248,740
Public Safety	152,964	155,977	0	0	152,964	155,977
Public Works	45,443	53,274	0	0	45,443	53,274
Community and Economic Development	24,265	39,910	0	0	24,265	39,910
Recreation and Culture	500	500	0	0	500	500
Other Functions	41,307	43,696	0	0	41,307	43,696
Water	0	0	600,777	60,346	600,777	60,346
Sewer	0	0	195,339	273,220	195,339	273,220
Total Expenses	536,039	542,097	796,116	333,566	1,332,155	875,663
Changes in Net Position	102,230	94,583	(510,885)	2,696,009	(408,655)	2,790,592
<u>NET POSITION</u> - Beginning of Year	<u>1,773,458</u>	<u>1,875,688</u>	<u>970,518</u>	<u>459,633</u>	<u>2,743,976</u>	<u>2,335,321</u>
<u>NET POSITION</u> - End of Year	<u>\$ 1,875,688</u>	<u>\$ 1,970,271</u>	<u>\$ 459,633</u>	<u>\$ 3,155,642</u>	<u>\$ 2,335,321</u>	<u>\$ 5,125,913</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

Governmental Activities

The governmental activities accounted for an increase of \$94,583 in the Township's net position. The most significant part of the revenue for all governmental activities of the Township comes from property taxes. The Township levied 2.000 mills for operating purposes.

State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes.

The Township's governmental activities expenses are dominated by general government and public safety expenses. The Township spent \$248,740 in 2014 on general government expenses. Public safety expenses represented the next largest expense at \$155,977 followed by public works at \$53,274.

Business-Type Activities

The Township utilizes a Water Fund to account for its water operations. Water operations experienced a \$1,994,686 increase in net position due to Wexford County transferring all water assets back to the Township.

The Township utilizes a Sewer Fund to account for its sewer operations. Sewer operations experienced a \$701,323 increase in net position. The primary reason for the increase was private source contributions to help fund the construction of a wastewater treatment facility currently under construction.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Charter Township of Haring's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At December 31, 2014, Charter Township of Haring's governmental funds reported combined fund balances of \$1,272,989, an increase of \$131,188 in comparison with the prior year. Approximately 52% of this amount (\$667,137) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is 1) not in spendable form (\$7,068), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$15,619), 4) committed for particular purposes, or 5) assigned for particular purposes (\$583,165).

General Fund – The General Fund increased its fund balance by \$29,426, which brings the fund balance to \$959,987. The General Fund transferred \$100,300 to other funds during the year.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund increased its fund balance by \$1,762, which brings the fund balance to \$11,953. This balance is restricted and must be used for liquor law enforcement.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

Fire Vehicle Replacement Fund – This fund was established for the purpose of accumulating funds for future fire vehicle purchases. The Township transferred \$100,000 from the General Fund to the Fire Vehicle Replacement Fund. The fund balance increased by \$100,000, which brings the fund balance to \$301,049. The fund balance is assigned for fire vehicle replacement.

Business-Type Activities At the completion of the Township's fiscal year ended December 31, 2014, its proprietary funds reported net position of \$3,155,642. \$271,809 of this amount is unrestricted, \$255,483 is restricted for bond covenants, and the remaining portion is net investment in capital assets.

Water Fund – The Water Fund increased its net position by \$1,994,686, which brings the net position to a balance of \$1,574,786. This increase was due to Wexford County transferring all Water System capital assets back to the Township.

Sewer Fund – The Sewer Fund accounts for resources used for the operations of a sewer system of the Township. In 2014, the fund incurred expenses related to the construction of a new waste water treatment system. The Sewer Fund also received private source contributions of \$505,061. The net position of the fund increased by \$701,323 during 2014, bringing ending net position to \$1,580,856.

General Fund Budgetary Highlights

During the year, there were no changes in appropriations between the original budget and final amended budget.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 525,927	\$ 525,927	\$ 632,261
Total Expenditures	\$ 689,389	\$ 689,389	\$ 502,535

Actual expenditures were \$186,854 less than budgeted expenditures primarily due to spending less than anticipated in most departments. Actual revenues were \$106,334 more than budgeted revenues primarily due to the General Fund recording higher than anticipated state-shared revenues.

Capital Assets and Debt Administration

Capital Assets The Township's net investment in capital assets for governmental and business-type activities as of December 31, 2014 amounted to \$6,888,632 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

*Charter Township of Haring
Capital Assets as of December 31, 2014*

	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 193,113	\$ 131,401	\$ 324,514
Buildings and Improvements	636,781	0	636,781
Machinery and Equipment	1,054,954	0	1,054,954
Furniture and Fixtures	14,620	0	14,620
Vehicles	591,974	0	591,974
Water and Wastewater Systems	0	6,505,350	6,505,350
	<hr/> 2,491,442	<hr/> 6,636,751	<hr/> 9,128,193
Less Accumulated Depreciation	1,794,160	445,401	2,239,561
	<hr/>	<hr/>	<hr/>
Net Capital Assets	\$ 697,282	\$ 6,191,350	\$ 6,888,632

Major capital asset additions during the current fiscal year included the following:

- Expenses for the waste water treatment plant were capitalized at a total cost of \$3,534,485.
- Various small Township purchases totaling \$9,033.
- Wexford County transferring the Water System assets back to the Township in the amount of \$1,653,472.
- Other Water System purchases and improvements totaling \$199,136.

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements section.

Economic Condition and Outlook

It appears that state-shared revenues have stabilized and should remain relatively stable in 2015. Taxable values have also started to stabilize, which will provide the Township with similar property tax revenues during fiscal year 2015 as it recorded in 2014.

The Township continues to plan for the long-term, and will continue to balance budgets through controls over spending, while striving to provide the Township's residents with the same level of service to which they have become accustomed.

These factors were considered in preparing the Township's budgets for the 2015 year.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Charter Township of Haring at 515 Bell Avenue, Cadillac, Michigan 49601.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 1,034,978	\$ 267,485	\$ 1,302,463
Receivables			
Taxes	157,163	0	157,163
Accounts	0	63,602	63,602
Special Assessments	0	24,301	24,301
External Party Receivable (Fiduciary Fund)	76,134	0	76,134
Due from Other Governments	84,577	788,601	873,178
Prepaid Expenses	7,068	0	7,068
	<hr/>	<hr/>	<hr/>
Total Current Assets	1,359,920	1,143,989	2,503,909
<u>RESTRICTED ASSETS</u>			
Cash			
Bond Reserve Funds	0	255,483	255,483
<u>CAPITAL ASSETS</u>			
Land	193,113	131,401	324,514
Buildings and Improvements	636,781	0	636,781
Machinery and Equipment	1,054,954	0	1,054,954
Furniture and Fixtures	14,620	0	14,620
Vehicles	591,974	0	591,974
Water and Wastewater Systems	0	6,505,350	6,505,350
	<hr/>	<hr/>	<hr/>
	2,491,442	6,636,751	9,128,193
Less Accumulated Depreciation	1,794,160	445,401	2,239,561
	<hr/>	<hr/>	<hr/>
Net Capital Assets	697,282	6,191,350	6,888,632
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	2,057,202	7,590,822	9,648,024

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET POSITION
DECEMBER 31, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable/Retainage Payable	2,687	674,501	677,188
Payroll Liabilities	1,916	0	1,916
Accrued Interest Payable	0	26,393	26,393
Internal Balances	(171,286)	171,286	0
Unearned Revenue	96,451	0	96,451
Bonds and Notes Payable - Current	0	90,000	90,000
Total Current Liabilities	(70,232)	962,180	891,948
<u>LONG-TERM LIABILITIES</u>			
Bonds and Notes Payable	0	3,473,000	3,473,000
TOTAL LIABILITIES	(70,232)	4,435,180	4,364,948
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property Taxes	157,163	0	157,163
<u>NET POSITION</u>			
Net Investment in Capital Assets	697,282	2,628,350	3,325,632
Restricted for Liquor Law Enforcement	11,953	0	11,953
Restricted for Fire Expenditures	3,666	0	3,666
Restricted for Debt Service	0	255,483	255,483
Unrestricted	1,257,370	271,809	1,529,179
TOTAL NET POSITION	\$ 1,970,271	\$ 3,155,642	\$ 5,125,913

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		TOTALS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<u>GOVERNMENTAL ACTIVITIES</u>							
General Government	\$ 248,740	\$ 53,704	\$ 0	\$ 0	\$ (195,036)	\$ 0	\$ (195,036)
Public Safety	155,977	0	4,419	0	(151,558)	0	(151,558)
Public Works	53,274	0	5,022	0	(48,252)	0	(48,252)
Community and Economic Development	39,910	1,660	0	0	(38,250)	0	(38,250)
Recreation and Culture	500	0	0	0	(500)	0	(500)
Other Functions	43,696	0	0	0	(43,696)	0	(43,696)
Total Governmental Activities	542,097	55,364	9,441	0	(477,292)	0	(477,292)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Water Fund	60,346	127,285	0	0	0	66,939	66,939
Sewer Fund	273,220	351,245	0	623,061	0	701,086	701,086
Total Business-Type Activities	333,566	478,530	0	623,061	0	768,025	768,025
TOTAL PRIMARY GOVERNMENT	\$ 875,663	\$ 533,894	\$ 9,441	\$ 623,061	(477,292)	768,025	290,733
<u>GENERAL REVENUES</u>							
Taxes					307,170	0	307,170
State Grants					240,755	0	240,755
Interest Earnings					1,754	237	1,991
Other					22,196	12	22,208
Contribution from Local Unit					0	1,927,735	1,927,735
Total General Revenues and Transfers					571,875	1,927,984	2,499,859
Change in Net Position					94,583	2,696,009	2,790,592
<u>NET POSITION</u> - Beginning of Year					1,875,688	459,633	2,335,321
<u>NET POSITION</u> - End of Year					\$ 1,970,271	\$ 3,155,642	\$ 5,125,913

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
DECEMBER 31, 2014

	SPECIAL REVENUE FUND		CAPITAL PROJECTS FUND		TOTALS
	GENERAL	LIQUOR LAW ENFORCEMENT	FIRE VEHICLE REPLACEMENT		
<u>ASSETS</u>					
Cash	\$ 721,976	\$ 11,953	\$ 301,049		\$ 1,034,978
Taxes Receivable	157,163	0	0		157,163
Due from Other Funds	247,420	0	0		247,420
Due from Other Governments	84,577	0	0		84,577
Prepaid Expenditures	7,068	0	0		7,068
TOTAL ASSETS	<u>\$ 1,218,204</u>	<u>\$ 11,953</u>	<u>\$ 301,049</u>		<u>\$ 1,531,206</u>
<u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,687	\$ 0	\$ 0		\$ 2,687
Payroll Liabilities	1,916	0	0		1,916
Unearned Revenue	96,451	0	0		96,451
Total Liabilities	<u>101,054</u>	<u>0</u>	<u>0</u>		<u>101,054</u>
<u>DEFERRED INFLOW OF RESOURCES</u>					
Unavailable Revenue - Property Taxes	157,163	0	0		157,163
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenditures	7,068	0	0		7,068
Restricted					
Liquor Law Enforcement	0	11,953	0		11,953
Fire Expenditures	3,666	0	0		3,666
Assigned					
Fire Vehicle Replacement	0	0	301,049		301,049
Subsequent Year Budget Shortfall	282,116	0	0		282,116
Unassigned	667,137	0	0		667,137
Total Fund Balance	<u>959,987</u>	<u>11,953</u>	<u>301,049</u>		<u>1,272,989</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>					
	<u>\$ 1,218,204</u>	<u>\$ 11,953</u>	<u>\$ 301,049</u>		<u>\$ 1,531,206</u>

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Fund Balances for Governmental Funds \$ 1,272,989

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 193,113	
Buildings and Improvements	636,781	
Machinery and Equipment	1,054,954	
Furniture and Fixtures	14,620	
Vehicles	591,974	
Accumulated Depreciation	(1,794,160)	697,282

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,970,271

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2014

	SPECIAL REVENUE FUND		CAPITAL PROJECTS FUND	TOTALS
	GENERAL	LIQUOR LAW ENFORCEMENT	FIRE VEHICLE REPLACEMENT	
<u>REVENUES</u>				
Taxes	\$ 307,170	\$ 0	\$ 0	\$ 307,170
Licenses and Permits	43,876	0	0	43,876
State Grants	245,777	4,419	0	250,196
Charges for Services	11,488	0	0	11,488
Interest and Rents	1,754	0	0	1,754
Other Revenues	22,196	0	0	22,196
Total Revenues	632,261	4,419	0	636,680
<u>EXPENDITURES</u>				
General Government	238,061	0	0	238,061
Public Safety	128,143	2,957	0	131,100
Public Works	52,225	0	0	52,225
Community and Economic Development	39,910	0	0	39,910
Recreation and Culture	500	0	0	500
Other Functions	43,696	0	0	43,696
Total Expenditures	502,535	2,957	0	505,492
Excess (Deficiency) of Revenues Over Expenditures	129,726	1,462	0	131,188
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	300	100,000	100,300
Transfers Out	(100,300)	0	0	(100,300)
Total Other Financing Sources (Uses)	(100,300)	300	100,000	0
Net Change in Fund Balance	29,426	1,762	100,000	131,188
<u>FUND BALANCE</u> - Beginning of Year	930,561	10,191	201,049	1,141,801
<u>FUND BALANCE</u> - End of Year	\$ 959,987	\$ 11,953	\$ 301,049	\$ 1,272,989

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 131,188
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Amounts reported for governmental activities are different because

Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(45,638)
Capital Outlay	9,033
	<hr/>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<hr/> <hr/> \$ 94,583
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET POSITION
DECEMBER 31, 2014

BUSINESS TYPE ACTIVITIES -
ENTERPRISE FUNDS
MAJOR FUNDS

	WATER	SEWER	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ (21,872)	\$ 289,357	\$ 267,485
Accounts Receivable	20,897	42,705	63,602
Special Assessments Receivable	24,301	0	24,301
Due from Other Governments	225,513	563,088	788,601
Due from Other Funds	3,140	3,712	6,852
Total Current Assets	251,979	898,862	1,150,841
<u>RESTRICTED ASSETS</u>			
Cash			
Bond Reserve Funds	6,207	249,276	255,483
<u>CAPITAL ASSETS</u>			
Land	0	131,401	131,401
Water and Wastewater Systems	1,852,608	4,652,742	6,505,350
	1,852,608	4,784,143	6,636,751
Less Accumulated Depreciation	162	445,239	445,401
Net Capital Assets	1,852,446	4,338,904	6,191,350
TOTAL ASSETS	2,110,632	5,487,042	7,597,674

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF NET POSITION
DECEMBER 31, 2014

BUSINESS TYPE ACTIVITIES -
ENTERPRISE FUNDS
MAJOR FUNDS

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable/Retainage Payable	10,451	664,050	674,501
Accrued Interest Payable	2,146	24,247	26,393
Due to Other Funds	8,249	169,889	178,138
Bonds and Notes Payable - Current	40,000	50,000	90,000
Total Current Liabilities	60,846	908,186	969,032
<u>LONG-TERM LIABILITIES - Net of Current Portion</u>			
Bond and Notes Payable	475,000	2,998,000	3,473,000
TOTAL LIABILITIES	535,846	3,906,186	4,442,032
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,337,446	1,290,904	2,628,350
Restricted for Bond Covenants	6,207	249,276	255,483
Unrestricted	231,133	40,676	271,809
TOTAL NET POSITION	\$ 1,574,786	\$ 1,580,856	\$ 3,155,642

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2014

BUSINESS TYPE ACTIVITIES -

ENTERPRISE FUNDS

MAJOR FUNDS

	WATER	SEWER	TOTALS
<u>OPERATING REVENUES</u>	\$ 127,285	\$ 351,245	\$ 478,530
<u>OPERATING EXPENSES</u>			
Salaries and Wages	7,521	30,827	38,348
Employee Benefits	649	616	1,265
Administration Fee	0	23,561	23,561
Operating Supplies	1,306	1,587	2,893
Legal and Professional Fees	19,640	84,907	104,547
Contracted Services	11,676	14,611	26,287
Gas and Oil	0	780	780
Communications	248	248	496
Transportation	943	943	1,886
Printing and Publishing	64	5,213	5,277
Education and Training	1,101	442	1,543
Utilities	2,866	2,102	4,968
Metered Sewage	0	36,952	36,952
Sewer Surcharge	0	19,839	19,839
Depreciation	162	17,220	17,382
Miscellaneous	567	2,569	3,136
Total Operating Expenses	46,743	242,417	289,160
Operating Income (Loss)	80,542	108,828	189,370
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Reimbursements and Donations	12	505,061	505,073
Federal Grants	0	118,000	118,000
Interest Income	0	237	237
Contribution from Local Unit	1,927,735	0	1,927,735
Interest and Fiscal Charges	(13,603)	(30,803)	(44,406)
Total Nonoperating Revenues (Expenses)	1,914,144	592,495	2,506,639
Change in Net Position	1,994,686	701,323	2,696,009
<u>TOTAL NET POSITION</u> - Beginning of Year-(Deficit)	(419,900)	879,533	459,633
<u>TOTAL NET POSITION</u> - End of Year	\$ 1,574,786	\$ 1,580,856	\$ 3,155,642

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

BUSINESS TYPE ACTIVITIES -
ENTERPRISE FUNDS
MAJOR FUNDS

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>INCREASE (DECREASE) IN CASH AND</u>			
<u>CASH EQUIVALENTS</u>			
Cash Flows from Operating Activities			
Cash Received from Customers and Others	\$ 164,133	\$ 339,723	\$ 503,856
Cash Payments to Suppliers for Goods and Services	(28,953)	(174,172)	(203,125)
Cash Payments to Employees	(8,170)	(31,443)	(39,613)
	<hr/>		
Net Cash Provided (Used) by Operating Activities	127,010	134,108	261,118
	<hr/>		
Cash Flows from Capital and Related Financing Activities			
Acquisition and Construction of Capital Assets	(199,136)	(2,886,189)	(3,085,325)
Principal Paid on Debt	(35,000)	0	(35,000)
Interest Paid on Debt	(13,750)	(6,556)	(20,306)
Contribution from Local Unit	48,750	0	48,750
Debt Issued	0	2,624,000	2,624,000
Reimbursements and Donations Received	12	505,061	505,073
Capital Outlay	0	0	0
	<hr/>		
Net Cash Provided (Used) for Capital and Related Financing Activities	(199,124)	236,316	37,192
	<hr/>		
Cash Flows from Investing Activities			
Interest Income	0	237	237
	<hr/>		
Net Increase (Decrease) in Cash and Cash Equivalents	(72,114)	370,661	298,547
	<hr/>		
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	56,449	167,972	224,421
	<hr/>		
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ (15,665)	\$ 538,633	\$ 522,968
	<hr/>		

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

BUSINESS TYPE ACTIVITIES -
ENTERPRISE FUNDS
MAJOR FUNDS

	<u>WATER</u>	<u>SEWER</u>	<u>TOTALS</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>			
<u>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 80,542	\$ 108,828	\$ 189,370
Adjustments to Reconcile Operating Income			
To Net Cash Provided by Operating Activities			
Depreciation	162	17,220	17,382
(Increase) Decrease in Current Assets			
Accounts and Special Assessments Receivable	(45,198)	(11,522)	(56,720)
Due from Other Funds	73,797	(3,712)	70,085
Due from Other Governments	0	38,132	38,132
Increase (Decrease) in Current Liabilities			
Accounts Payable	9,458	8,631	18,089
Due to Other Funds	8,249	0	8,249
Due to Other Governments	0	(23,469)	(23,469)
Total Adjustments	46,468	25,280	71,748
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 127,010	\$ 134,108	\$ 261,118

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

	<u>AGENCY FUNDS TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 548,592
<u>LIABILITIES</u>	
Due to Other Governments	472,458
Due to Other Funds	76,134
Total Liabilities	<u>548,592</u>
<u>NET POSITION</u>	<u>\$ 0</u>

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

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The Charter Township of Haring was incorporated in 1979 under the provisions of Public Act 359 of 1947, as amended, (Charter Township Act). The Township operates under the direction of an elected Township Board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Charter Township of Haring 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.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditure for liquor law enforcement.

The *Fire Vehicle Replacement Fund* accounts for funds being set aside for future fire vehicle purchases.

The Charter Township of Haring reports the following major governmental funds:

The *Water and Sewer Funds* account for the provision of water and sewer services to the residents of the Township. All activities related to such services are accounted for in the water and sewer system funds which are generally self-supporting.

Additionally the Township reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, licenses, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year-end. Budget amounts presented are as originally adopted on September 30, 2013, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting is not employed in governmental funds.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

1. Deposits and Investments

The Township's cash is considered to be cash on hand, demand deposits and other short-term investments, including certificates of deposit.

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Haring Charter Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.
- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. Inventories and Prepaid Items

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain resources of the Water Fund and Sewer Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>CAPITAL ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	20 – 50
Water Systems and Wastewater	
Collection and Treatment System	20 - 50
Machinery and Equipment	10
Furniture and Fixtures	5 – 10
Vehicles	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any items that qualify for reporting in this category as of December 31, 2014.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township reports the amount of property taxes levied on the 2014 tax roll \$157,163 as a deferred inflow of resources because those revenues are to be used in 2015.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

6. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance or resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance or resolution remains in place until a similar action is taken (the adoption of another ordinance or resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

9. *Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bonds payable are reported net of applicable bond premium or discounts.

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

10. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Certain taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 28. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

The 2014 taxable valuation of the Township totaled \$126.9 million, on which ad valorem taxes levied consisted of 2.0000 mills for the local governmental operating purposes, raising \$253,890. This amount is recognized in the General Fund financial statements as taxes receivable or as tax revenue.

3. *Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for Water and Sewer fund include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's investment policy states that safety of principal is the foremost objective. To maximize safety of principal, the Township's policy is to diversify where funds are deposited to avoid concentration of funds at any one institution. As of December 31, 2014, \$725,110 of the Township's bank balance of \$2,140,360 was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the \$725,110 of uninsured funds, \$303,659 was in the tax collection fund, \$147,652 was in the sewer fund, and \$273,799 was in the general fund.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

The Charter Township of Haring uses a common banking account to pool cash funds and enhance investment earnings. The various funds share of the common bank account at December 31, 2014, is as follows:

	<u>Common Checking</u>
General Fund	\$ 87,049
Liquor Law Enforcement	11,953
Fire Equipment Fund	301,049
Sewer Fund	117,108
Water Fund	(21,872)
	<u>\$ 495,287</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

B. Receivables

Receivables as of year-end for the government's individual major funds are as follows:

	General	Water	Sewer	Total
Receivables				
Taxes	\$ 157,163	\$ 0	\$ 0	\$ 157,163
Accounts	0	20,897	42,705	63,602
Special Assessments	0	24,301	0	24,301
Due from Other Governments	84,577	225,513	563,088	873,178
Total	\$ 241,740	\$ 270,711	\$ 605,793	\$ 1,118,244

Amounts due from other governments include amounts due from federal, state, and local sources for various projects and programs.

Delinquent taxes receivable can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 193,113	\$ 0	\$ 0	\$ 193,113
Capital assets, being depreciated				
Buildings and Improvements	632,292	4,489	0	636,781
Machinery and Equipment	1,050,410	4,544	0	1,054,954
Furniture and Fixtures	14,620	0	0	14,620
Vehicles	591,974	0	0	591,974
Total capital assets, being depreciated	2,289,296	9,033	0	2,298,329
Less accumulated depreciation for				
Buildings and Improvements	259,474	14,538	0	274,012
Machinery and Equipment	936,070	15,781	0	951,851
Furniture and Fixtures	14,620	0	0	14,620
Vehicles	538,358	15,319	0	553,677
Total accumulated depreciation	1,748,522	45,638	0	1,794,160
Total capital assets, being depreciated, net	540,774	(36,605)	0	504,169
Governmental activities capital assets, net	\$ 733,887	\$ (36,605)	\$ 0	\$ 697,282

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 131,401	\$ 0	\$ 0	\$ 131,401
Construction in Progress	257,288	3,534,485	0	3,791,773
Total capital assets, not being depreciated	388,689	3,534,485	0	3,923,174
Capital assets, being depreciated				
Water and Wastewater Systems	860,969	1,852,608	0	2,713,577
Less accumulated depreciation for				
Water and Wastewater Systems	428,019	17,382	0	445,401
Total capital assets, being depreciated, net	432,950	1,835,226	0	2,268,176
Business-Type activities capital assets, net	\$ 821,639	\$ 5,369,711	\$ 0	\$ 6,191,350

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

<u>Governmental Activities</u>	
General Government	\$ 12,278
Public Safety	32,311
Public Works	1,049
Total Depreciation Expense - Governmental Activities	\$ 45,638
<u>Business-Type Activities</u>	
Water	\$ 162
Sewer	17,220
Total Business-Type Activities	\$ 17,382

D. Long-Term Debt

The following is a summary of debt transactions of Charter Township of Haring for the year ended December 31, 2014:

	WATER REFUNDING BONDS	SEWER REVENUE BONDS	SEWER INSTALLMENT PURCHASE	TOTAL
Debt Payable at January 1, 2014	\$ 550,000	\$ 0	\$ 0	\$ 550,000
New Debt Incurred	0	2,931,000	117,000	3,048,000
Debt Retired	(35,000)	0	0	(35,000)
Debt Payable at December 31, 2014	\$ 515,000	\$ 2,931,000	\$ 117,000	\$ 3,563,000
Due within one year	\$ 40,000	\$ 44,000	\$ 6,000	\$ 90,000

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Debt payable at December 31, 2014, is comprised of the following individual issues:

General Obligation Limited Tax Refunding Bonds

\$580,000 Refunding Bonds, General Obligation Limited Tax
due in annual installments of \$35,000 to \$50,000 through
November 1, 2026; Interest at 2.50% \$ 515,000

Self- Liquidating Sewer Revenue Bonds

\$2,931,000 Self-Liquidating Sewer Revenue Bonds, Series 2014
due in annual installments of \$42,000 to \$118,000 through
March 1, 2054; Interest at 2.75% 2,931,000

Installment Purchase Agreement

\$117,000 Note in accordance with Act No. 99 of the Public Acts
of 1933, as amended. Due in annual installments of \$6,000 to \$10,000
through March 1, 2029; interest at 3.25% 117,000

Total \$ 3,563,000

The annual requirements to amortize these debts outstanding as of December 31, 2014, including interest payments of \$2,015,002 are as follows:

YEAR ENDING DECEMBER 31,	WATER REFUNDING BONDS	SEWER REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2015				
PRINCIPAL	\$ 40,000	\$ 44,000	\$ 6,000	\$ 90,000
INTEREST	12,875	79,997	3,705	96,577
TOTAL	<u>52,875</u>	<u>123,997</u>	<u>9,705</u>	<u>186,577</u>
2016				
PRINCIPAL	35,000	42,000	6,000	83,000
INTEREST	11,875	78,815	3,510	94,200
TOTAL	<u>46,875</u>	<u>120,815</u>	<u>9,510</u>	<u>177,200</u>
2017				
PRINCIPAL	35,000	43,000	7,000	85,000
INTEREST	11,000	77,647	3,299	91,946
TOTAL	<u>46,000</u>	<u>120,647</u>	<u>10,299</u>	<u>176,946</u>
2018				
PRINCIPAL	40,000	45,000	7,000	92,000
INTEREST	10,125	76,436	3,071	89,632
TOTAL	<u>50,125</u>	<u>121,436</u>	<u>10,071</u>	<u>181,632</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

YEAR ENDING DECEMBER 31,	WATER REFUNDING BONDS	SEWER REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2019				
PRINCIPAL	40,000	46,000	7,000	93,000
INTEREST	9,125	75,185	2,844	87,154
TOTAL	49,125	121,185	9,844	180,154
2020-2024				
PRINCIPAL	230,000	248,000	38,000	516,000
INTEREST	29,375	356,069	10,660	396,104
TOTAL	259,375	604,069	48,660	912,104
2025-2029				
PRINCIPAL	95,000	284,000	46,000	425,000
INTEREST	3,625	319,550	3,802	326,977
TOTAL	98,625	603,550	49,802	751,977
2030-2034				
PRINCIPAL	0	326,000	0	326,000
INTEREST	0	277,696	0	277,696
TOTAL	0	603,696	0	603,696
2035-2039				
PRINCIPAL	0	375,000	0	375,000
INTEREST	0	229,558	0	229,558
TOTAL	0	604,558	0	604,558
2040-2044				
PRINCIPAL	0	428,000	0	428,000
INTEREST	0	174,433	0	174,433
TOTAL	0	602,433	0	602,433
2045-2049				
PRINCIPAL	0	490,000	0	490,000
INTEREST	0	111,402	0	111,402
TOTAL	0	601,402	0	601,402
2050-2054				
PRINCIPAL	0	560,000	0	560,000
INTEREST	0	39,323	0	39,323
TOTAL	0	599,323	0	599,323
GRAND TOTAL				
PRINCIPAL	515,000	2,931,000	117,000	3,563,000
INTEREST	88,000	1,896,111	30,891	2,015,002
TOTAL	\$ 603,000	\$ 4,827,111	\$ 147,891	\$ 5,578,002

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

E. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at December 31, 2014, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 247,420	\$ 0
Water Fund	3,140	8,249
Sewer Fund	3,712	169,889
Current Tax Collection Fund	0	76,134
	<hr/>	<hr/>
Total	\$ 254,272	\$ 254,272
	<hr/> <hr/>	<hr/> <hr/>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at December 31, 2014, are expected to be repaid within one year.

Interfund Transfers as of December 31, 2014, were:

	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 100,300
Liquor Law Fund	300	0
Fire Vehicle Replacement Fund	100,000	0
	<hr/>	<hr/>
Total	\$ 100,300	\$ 100,300
	<hr/> <hr/>	<hr/> <hr/>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IV. OTHER INFORMATION

A. 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; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan which covers elected officials and the fire chief. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18 and is ineligible at age 76. An employee's normal retirement date is age 60. Employer contributions are 6% of participants' compensation and eligible employees must contribute 2% of compensation to the plan.

Township contributions to the plan for 2014 amounted to \$5,783. Total covered payroll amounted to \$94,140 and total wages including non-covered payroll was \$169,142. Employees made all required contributions amounting to \$1,883.

C. Commitments

The Township has entered into various contracts related primarily to the construction of a waste water treatment plant. As of December 31, 2014, a balance of \$1,089,072 remained committed related to the various contracts. The primary source of funding to pay these commitments will come from a USDA loan and grant which is approved and in place.

D. Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Township. There is also the possibility, under various agreements, which the Township could, under certain circumstances, have to refund revenue from connection fees in the Sewer Fund to certain private organizations.

E. Water Distribution System Improvements

During 1995, the Charter Township of Haring requested that the Wexford County Department of Public Works construct a water tower and install new water mains and distribution lines to service existing and new service areas. The improvements would connect the Township's two water systems into one complete system. In order to accomplish these improvements, it was necessary for the complete system to be owned, operated and maintained by one entity and Act No. 185 of the Public Acts of Michigan of 1957 (an Act establishing the County Department of Public Works) required that the Wexford County Department of Public Works own the complete system to provide the financing of the improvements.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

To accomplish the improvements, the Township, on September 11, 1995, conveyed to the County all of its rights, title and interest in the existing systems and future improvements. During 2014, the original water system debt was paid off and the ownership of the system reverted to the Township.

F. Subsequent Event

During 2015 the Township paid for and took delivery of a fire apparatus in the amount of \$420,749.

G. Single Audit

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a “single audit” of federally funded programs. This audit is being performed and the reports based thereon can be found within this report.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

	GENERAL FUND			LIQUOR LAW ENFORCEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES						
Taxes	\$ 297,707	\$ 297,707	\$ 307,170	\$ 0	\$ 0	\$ 0
Licenses and Permits	10,020	10,020	43,876	0	0	0
State Grants	203,000	203,000	245,777	4,000	4,000	4,419
Charges for Services	10,000	10,000	11,488	0	0	0
Interest and Rents	5,000	5,000	1,754	0	0	0
Other Revenues	200	200	22,196	0	0	0
Total Revenues	525,927	525,927	632,261	4,000	4,000	4,419
EXPENDITURES						
General Government						
Township Board	44,250	44,250	31,147	0	0	0
Supervisor	25,058	25,058	23,092	0	0	0
Elections	10,000	10,000	3,864	0	0	0
Assessor	63,000	63,000	48,818	0	0	0
Attorney	35,000	35,000	16,869	0	0	0
Clerk	36,358	36,358	29,736	0	0	0
Board of Review	4,150	4,150	3,579	0	0	0
Treasurer	56,748	56,748	33,458	0	0	0
Building and Grounds	81,300	81,300	42,341	0	0	0
Cemetery	17,100	17,100	5,157	0	0	0
Public Safety						
Liquor Law Enforcement/Ordinance Enforcement	675	675	0	3,000	3,000	2,957
Fire Department	130,300	130,300	128,143	0	0	0
Public Works						
Highways, Streets and Bridges	20,000	20,000	0	0	0	0
Street Lighting	9,000	9,000	8,990	0	0	0
Water and Sewer	0	0	43,235	0	0	0
Community and Economic Development						
Planning	15,250	15,250	14,920	0	0	0
Zoning	31,700	31,700	24,990	0	0	0
Recreation and Culture						
Parks and Recreation	500	500	500	0	0	0
Other Functions	84,000	84,000	43,696	0	0	0
Contingency	25,000	25,000	0	0	0	0
Total Expenditures	689,389	689,389	502,535	3,000	3,000	2,957
Excess (Deficiency) of Revenues						
Over Expenditures	(163,462)	(163,462)	129,726	1,000	1,000	1,462
OTHER FINANCING SOURCES (USES)						
Transfers In	300	300	0	300	300	300
Transfers Out	(100,300)	(100,300)	(100,300)	0	0	0
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,300)	300	300	300
Net Change in Fund Balance	(263,462)	(263,462)	29,426	1,300	1,300	1,762
FUND BALANCE - Beginning of Year	930,562	930,562	930,561	10,191	10,191	10,191
FUND BALANCE - End of Year	\$ 667,100	\$ 667,100	\$ 959,987	\$ 11,491	\$ 11,491	\$ 11,953

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 721,976	\$ 764,389
Taxes Receivable	157,163	158,403
Due from Employees	0	241
Due from Other Funds	247,420	245,342
Due from Other Governments	84,577	82,717
Prepaid Expenditures	7,068	7,159
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,218,204</u>	<u>\$ 1,258,251</u>
 <u>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,687	\$ 0
Due to Other Funds	0	76,937
Payroll Liabilities	1,916	1,700
Unearned Revenue	96,451	90,650
	<hr/>	<hr/>
Total Liabilities	<u>101,054</u>	<u>169,287</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Unavailable Revenue - Property Taxes	<u>157,163</u>	<u>158,403</u>
 <u>FUND BALANCE</u>		
Nonspendable		
Prepaid Expenditures	7,068	7,159
Restricted		
Fire Donations	3,666	3,216
Assigned		
Subsequent Year Budget Shortfall	282,116	263,462
Unassigned	667,137	656,724
	<hr/>	<hr/>
Total Fund Balance	<u>959,987</u>	<u>930,561</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</u>		
	<u>\$ 1,218,204</u>	<u>\$ 1,258,251</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2014

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 297,707	\$ 307,170	\$ 308,542
Licenses and Permits	10,020	43,876	42,374
State Grants	203,000	245,777	242,842
Charges for Services	10,000	11,488	11,262
Interest and Rents	5,000	1,754	2,134
Other Revenues	200	22,196	126,924
Total Revenues	525,927	632,261	734,078
<u>EXPENDITURES</u>			
General Government	372,964	238,061	268,148
Public Safety	130,975	128,143	113,328
Public Works	29,000	52,225	44,395
Community and Economic Development	46,950	39,910	24,265
Recreation and Culture	500	500	500
Other Functions	84,000	43,696	41,307
Contingency	25,000	0	0
Total Expenditures	689,389	502,535	491,943
Excess (Deficiency) of Revenues Over Expenditures	(163,462)	129,726	242,135
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
Liquor Law Fund	300	0	0
Fire Vehicle Replacement Fund	(100,000)	(100,000)	(50,000)
Liquor Law Fund	(300)	(300)	(300)
Sewer Fund	0	0	(93,000)
Water Fund	0	0	(7,000)
Total Other Financing Sources (Uses)	(100,000)	(100,300)	(150,300)
Net Change in Fund Balance	(263,462)	29,426	91,835
<u>FUND BALANCE</u> - Beginning of Year	930,562	930,561	838,726
<u>FUND BALANCE</u> - End of Year	\$ 667,100	\$ 959,987	\$ 930,561

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET
DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	\$ 11,953	\$ 10,191
	<u>11,953</u>	<u>10,191</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Restricted for Liquor Law Enforcement	11,953	10,191
	<u>11,953</u>	<u>10,191</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 11,953</u>	<u>\$ 10,191</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2014</u>		<u>2013</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Liquor Licenses Fees	\$ 4,000	\$ 4,419	\$ 4,191
<u>EXPENDITURES</u>			
Public Safety			
Law Enforcement			
Personal Services			
Salaries and Wages	2,760	2,601	2,601
Social Security and Pension	240	356	355
Total Expenditures	3,000	2,957	2,956
Excess (Deficiency) of Revenues Over Expenditures	1,000	1,462	1,235
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	300	300	300
Net Change in Fund Balance	1,300	1,762	1,535
<u>FUND BALANCE</u> - Beginning of Year	10,191	10,191	8,656
<u>FUND BALANCE</u> - End of Year	\$ 11,491	\$ 11,953	\$ 10,191

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE VEHICLE REPLACEMENT FUND
COMPARATIVE BALANCE SHEET

DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash	<u>\$ 301,049</u>	<u>\$ 201,049</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Assigned for Fire Vehicle Replacement	<u>301,049</u>	<u>201,049</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 301,049</u>	<u>\$ 201,049</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE VEHICLE REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014		2013
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>	\$ 0	\$ 0	\$ 0
<u>EXPENDITURES</u>			
Capital Outlay	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	100,000	100,000	50,000
Net Change in Fund Balance	100,000	100,000	50,000
<u>FUND BALANCE</u> - Beginning of Year	201,049	201,049	151,049
<u>FUND BALANCE</u> - End of Year	\$ 301,049	\$ 301,049	\$ 201,049

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

2013 REFUNDING BONDS PAYMENT SCHEDULE
DECEMBER 31, 2014

<u>TITLE</u>	General Obligation Limited Tax Refunding Bonds, Series 2013
<u>PURPOSE</u>	The bonds were issued pursuant to the Bond Authorizing Resolution and the Order and in accordance with Act 34 of the Public Acts of Michigan of 2001, as amended, for the purpose of funding a portion of the Township's contractual obligation due to County of Wexford in accordance with the terms of that certain Haring Charter Township Water Supply System Improvements Contract.
<u>DATE OF ISSUE</u>	August 21, 2013
<u>AMOUNT OF ISSUE</u>	\$ 580,000
<u>INTEREST RATES</u>	2.50%
<u>BALANCE OUTSTANDING</u>	\$ 550,000
Amount Redeemed During Current Year	<u>35,000</u>
<u>BALANCE OUTSTANDING</u> - December 31, 2014	<u>\$ 515,000</u>

<u>DUE DATES</u>	Requirements		
	Principal	Interest	Total
November 1, 2015	\$ 40,000	\$ 12,875	\$ 52,875
November 1, 2016	35,000	11,875	46,875
November 1, 2017	35,000	11,000	46,000
November 1, 2018	40,000	10,125	50,125
November 1, 2019	40,000	9,125	49,125
November 1, 2020	45,000	8,125	53,125
November 1, 2021	45,000	7,000	52,000
November 1, 2022	45,000	5,875	50,875
November 1, 2023	45,000	4,750	49,750
November 1, 2024	50,000	3,625	53,625
November 1, 2025	45,000	2,375	47,375
November 1, 2026	50,000	1,250	51,250
	<u>\$ 515,000</u>	<u>\$ 88,000</u>	<u>\$ 603,000</u>

OPTIONAL REDEMPTION Bonds maturing in the years 2013 through 2020, both inclusive, shall not be subject to redemption prior to maturity. Bonds maturing in 2021 through 2026, both inclusive, shall be subject to redemption prior to maturity, at the option of the Township, in such order as the Township may determine and by lot within any maturity, on any date on or after November 1, 2020, at par and accrued interest to the date fixed for redemption.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER REVENUE BONDS, SERIES 2014
DECEMBER 31, 2014

<u>TITLE</u>	Self-Liquidating Sewer Revenue Bonds, Series 2014		
<u>PURPOSE</u>	The bonds were issued pursuant to Ordinance No. 2014-92, duly adopted by the Township and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94 of the Public Acts of Michigan of 1933, as amended, for the purpose of paying the cost of acquisition and construction of improvements to the System.		
<u>DATE OF ISSUE</u>	April 9, 2014		
<u>AMOUNT OF ISSUE</u>	\$	2,931,000	
<u>INTEREST RATES</u>	2.75%		
<u>BALANCE OUTSTANDING</u>		\$	2,931,000
Amount Redeemed During Current Year			0
<u>BALANCE OUTSTANDING</u> - December 31, 2014		\$	2,931,000

<u>DUE DATES</u>	Requirements		
	Principal	Interest	Total
March 1, 2015	\$ 44,000	\$ 40,301	\$ 84,301
September 1, 2015		39,696	39,696
March 1, 2016	42,000	39,696	81,696
September 1, 2016		39,119	39,119
March 1, 2017	43,000	39,119	82,119
September 1, 2017		38,528	38,528
March 1, 2018	45,000	38,527	83,527
September 1, 2018		37,909	37,909
March 1, 2019	46,000	37,909	83,909
September 1, 2019		37,276	37,276
March 1, 2020	47,000	37,276	84,276
September 1, 2020		36,630	36,630

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER REVENUE BONDS, SERIES 2014

DECEMBER 31, 2014

<u>DUE DATES</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1, 2021	48,000	36,630	84,630
September 1, 2021		35,970	35,970
March 1, 2022	50,000	35,970	85,970
September 1, 2022		35,283	35,283
March 1, 2023	51,000	35,282	86,282
September 1, 2023		34,581	34,581
March 1, 2024	52,000	34,581	86,581
September 1, 2024		33,866	33,866
March 1, 2025	54,000	33,866	87,866
September 1, 2025		33,124	33,124
March 1, 2026	55,000	33,124	88,124
September 1, 2026		32,368	32,368
March 1, 2027	57,000	32,367	89,367
September 1, 2027		31,584	31,584
March 1, 2028	58,000	31,584	89,584
September 1, 2028		30,786	30,786
March 1, 2029	60,000	30,786	90,786
September 1, 2029		29,961	29,961
March 1, 2030	62,000	29,961	91,961
September 1, 2030		29,109	29,109
March 1, 2031	63,000	29,109	92,109
September 1, 2031		28,243	28,243
March 1, 2032	65,000	28,242	93,242
September 1, 2032		27,349	27,349
March 1, 2033	67,000	27,349	94,349
September 1, 2033		26,428	26,428
March 1, 2034	69,000	26,427	95,427
September 1, 2034		25,479	25,479
March 1, 2035	71,000	25,479	96,479
September 1, 2035		24,503	24,503
March 1, 2036	73,000	24,502	97,502
September 1, 2036		23,499	23,499
March 1, 2037	75,000	23,499	98,499
September 1, 2037		22,468	22,468

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER REVENUE BONDS, SERIES 2014

DECEMBER 31, 2014

<u>DUE DATES</u>	<u>Requirements</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1, 2038	77,000	22,467	99,467
September 1, 2038		21,409	21,409
March 1, 2039	79,000	21,409	100,409
September 1, 2039		20,323	20,323
March 1, 2040	81,000	20,322	101,322
September 1, 2040		19,209	19,209
March 1, 2041	83,000	19,209	102,209
September 1, 2041		18,068	18,068
March 1, 2042	86,000	18,067	104,067
September 1, 2042		16,885	16,885
March 1, 2043	88,000	16,885	104,885
September 1, 2043		15,675	15,675
March 1, 2044	90,000	15,675	105,675
September 1, 2044		14,438	14,438
March 1, 2045	93,000	14,437	107,437
September 1, 2045		13,159	13,159
March 1, 2046	95,000	13,159	108,159
September 1, 2046		11,853	11,853
March 1, 2047	98,000	11,852	109,852
September 1, 2047		10,505	10,505
March 1, 2048	101,000	10,505	111,505
September 1, 2048		9,116	9,116
March 1, 2049	103,000	9,116	112,116
September 1, 2049		7,700	7,700
March 1, 2050	106,000	7,700	113,700
September 1, 2050		6,243	6,243
March 1, 2051	109,000	6,242	115,242
September 1, 2051		4,744	4,744
March 1, 2052	112,000	4,743	116,743
September 1, 2052		3,204	3,204
March 1, 2053	115,000	3,203	118,203
September 1, 2053		1,622	1,622
March 1, 2054	118,000	1,622	119,622
	<u>\$ 2,931,000</u>	<u>\$ 1,896,111</u>	<u>\$ 4,827,111</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER REVENUE BONDS, SERIES 2014
DECEMBER 31, 2014

OPTIONAL REDEMPTION

Installments of principal may be prepaid prior to maturity at the option of the Township on any date on and after September 1, 2014, in whole or in part in increments of \$1,000 or multiples thereof in the amount selected by the Township, in inverse order of principal installment due date at par without premium, plus accrued interest to the date of the prepayment.



CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

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May 22, 2015

INDEPENDENT AUDITOR'S 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

To the Township Board
Charter Township of Haring
Wexford County
Cadillac, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Township of Haring, Michigan as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Charter Township of Haring's basic financial statements and have issued our report thereon dated May 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Township of Haring, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Charter Township of Haring's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Haring, Michigan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2014-A).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Haring's financial statements are free from 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*.

Charter Township of Haring, Michigan's Response to Findings

Charter Township of Haring, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Charter Township of Haring, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.



Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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May 22, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Township Board
Charter Township of Haring
Wexford County
Cadillac, Michigan

Report on Compliance for Each Major Federal Program

We have audited the Charter Township of Haring's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Charter Township of Haring's major federal programs for the year ended December 31, 2014. The Charter Township of Haring's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter Township of Haring's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Haring's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Haring's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Charter Township of Haring complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the Charter Township of Haring is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Haring's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Haring's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Passthrough Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Awards Expended</u>
<u>U.S. Department of Agriculture</u> Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 3,166,000</u>
Reconciliation to financial statements:		
Amount recorded as federal grants revenue		\$ 118,000
Amount recorded as Installment Purchase Agreement Payable within the Sewer Fund		117,000
Amount recorded as Bonds Payable within the Sewer Fund		<u>2,931,000</u>
		<u>\$ 3,166,000</u>

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the Township.

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Financial Statement Findings

2013-A

Material Weakness:

Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Auditor Recommendation: Due to the complexity of GAAP financial statements and the costs required to obtain knowledge to prepare them, it is recommended that the Township continue to outsource this service.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Federal Award Findings and Questioned Costs

None reported

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified: X Yes No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: Yes X No

Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

CHARTER TOWNSHIP OF HARING, WEXFORD COUNTY
CADILLAC, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Section II - Financial Statement Findings

2014-A

Material Weakness:

Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Auditor Recommendation: Due to the complexity of GAAP financial statements and the costs required to obtain knowledge to prepare them, it is recommended that the Township continue to outsource this service.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and noted prior to approving them and accepting responsibility for their content and presentation.

Section III - Federal Award Findings and Questioned Costs

None reported



Baird, Cotter & Bishop, P.C.

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May 22, 2015

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board
Charter Township of Haring
Wexford County
Cadillac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Haring for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 17, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Haring 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 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Haring's financial statements were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were corrected by management and were related to adjusting financial records from cash basis to the modified accrual basis of accounting.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 22, 2015.

Management 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 Charter Township of Haring's financial statements or a determination of the type of auditor's 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.

Other Audit Findings or Issues

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 Charter Township of Haring's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Financial Statements of Individual Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Other Information section, which accompany the financial statements but are not the RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

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May 22, 2015

MANAGEMENT LETTER

To the Township Board
Charter Township of Haring
Wexford County
Cadillac, Michigan

We have completed our audit for the year ended December 31, 2014. We noted the following items which we feel deserve comment:

Internal Control

In a separate letter dated May 22, 2015 we communicated certain Significant Deficiencies in Internal Control to the Township. Below are Internal Control Deficiencies that have not risen to the level of Significant Deficiencies or Material Weaknesses. A Significant Deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a Material Weakness, yet important enough to merit attention by those charged with governance. When evaluating the control deficiencies listed below, we have determined that in most cases, the only reason they are not classified as Significant Deficiencies is because, while we believe they are important enough to merit attention by those charged with governance, the magnitude of the potential misstatement resulting from the deficiencies is, in our opinion, not high enough to be considered a Significant Deficiency.

Review of Adjusting Journal Entries

The Township does not make many journal entries during the year. However, we recommend the township formalize the review of journal entries that are made during the year. We believe someone independent of the person making the journal entry should retain a copy of the proposed entry and initial the entry indicating it has been reviewed. Adjusting journal entries should typically only be made to correct a posting error. Revenues and expenditures should not be moved within the accounting system for the sole purpose of keeping a particular line item under budget.

Tax Collection Process

The tax collection process is functioning as designed by the State of Michigan. However, the system designed by the State of Michigan has some inherent internal control deficiencies. The difficulty for the Township in addressing these control deficiencies is that even with the use of the Deputy Treasurer, it is difficult to adequately segregate duties in this area because there are too few people involved in the tax collection process.

Condition of Accounting Records and Accounting Controls

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal accounting controls on at least an annual basis to ensure they are adequate and operating as intended.

This information is intended solely for the use of the Board and management of the Charter Township of Haring and is not intended to be and should not be used by anyone other than these specific parties.

BAIRD, COTTER AND BISHOP, P.C.

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