

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

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INDEPENDENT AUDITOR'S REPORT

May 15, 2014

To the Township Board
Township of Haight
Ontonagon County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, of the Township of Haight, Ontonagon County, Michigan as of and for the year ended March 31, 2014, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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.

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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Haight, Ontonagon County, Michigan as of March 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2014

The Management's Discussion and Analysis report of the Township of Haight covers the Township's financial performance during the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$61,515.41 from governmental activities with a \$404.58 increase in net position.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net position and how it has changed. Net position is the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

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

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

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Road Fund.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2014

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Road Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable. Net position at March 31, 2014, was \$289,015.54 which is an increase of \$404.58 from the prior year. The change was due in part to an increase in state revenue sharing. Refer to Page 4 for a summary of the Township's financial activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Building and grounds which incurred expenses of \$9,977.68.

BUDGETARY HIGHLIGHTS

The Township's budget was compiled and adopted prior to the beginning of the fiscal year. No amendments were made during the year. Revenues were \$11,564.01 over budget due to miscellaneous revenue being higher than anticipated. Expenses were \$6,505.11 under budget due to expenditures for Building and grounds being less than expected.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

Refer to Note 4 for a summary of the Township's capital asset activity.

The Township's governmental activities paid \$0 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are no known factors affecting future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at Haight Township Clerk, 10663 US Hwy 45 S. Bruce Crossing, Michigan 49912, Phone (906) 827-3319.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2014

	Total Governmental Activities 2014
Current Assets	289 511
Capital Assets	603
Total Assets	290 114
Current Liabilities	1 098
Non-current Liabilities	-
Total Liabilities	1 098
Net Position:	
Invested in Capital Assets	603
Unrestricted	288 413
Total Net Position	289 016

	Total Governmental Activities 2014
Program Revenues:	
Fees and Charges for Services	10 036
General Revenues:	
Property Taxes	22 442
Other Taxes	301
State Revenue Sharing	17 084
Interest	2 071
Miscellaneous	9 582
Total Revenues	61 516
Program Expenses:	
Legislative	6 730
General Government	41 735
Public Safety	9 231
Public Works	3 415
Total Expenses	61 111
Change in Net Position	405
Net Position, April 1, 2013	288 611
Net Position, March 31, 2014	289 016

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION

March 31, 2014

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	285 770 82
Taxes receivable	1 708 23
Due from other units	<u>2 031 94</u>
Total Current Assets	<u>289 510 99</u>
NON-CURRENT ASSETS:	
Capital Assets	220 034 78
Less: Accumulated Depreciation	<u>(219 431 69)</u>
Total Non-current Assets	<u>603 09</u>
TOTAL ASSETS	<u><u>290 114 08</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 098 54</u>
Total Current Liabilities	<u>1 098 54</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 098 54</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	603 09
Unrestricted	<u>288 412 45</u>
Total Net Position	<u>289 015 54</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>290 114 08</u></u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2014

	<u>Expenses</u>	<u>Program Revenue</u> <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	6 729 97	-	(6 729 97)
General government	41 734 36	9 295 98	(32 438 38)
Public safety	9 231 34	740 00	(8 491 34)
Public works	<u>3 415 16</u>	<u>-</u>	<u>(3 415 16)</u>
Total Governmental Activities	<u>61 110 83</u>	<u>10 035 98</u>	<u>(51 074 85)</u>
General Revenues:			
Property taxes			22 442 53
Other taxes			300 94
State revenue sharing			17 083 59
Interest			2 070 53
Miscellaneous			<u>9 581 84</u>
Total General Revenues			<u>51 479 43</u>
Change in net position			404 58
Net position, beginning of year			<u>288 610 96</u>
Net Position, End of Year			<u>289 015 54</u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2014

	<u>General</u>	<u>Road Improvement</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	77 303 30	208 281 93	285 585 23
Taxes receivable	1 708 23	-	1 708 23
Due from other units	2 031 94	-	2 031 94
Due from other funds	<u>185 59</u>	<u>-</u>	<u>185 59</u>
Total Assets	<u><u>81 229 06</u></u>	<u><u>208 281 93</u></u>	<u><u>289 510 99</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>911 13</u>	<u>-</u>	<u>1 098 54</u>
Total liabilities	<u>911 13</u>	<u>-</u>	<u>1 098 54</u>
Fund equity:			
Fund balances:			
Restricted	-	208 281 93	208 281 93
Unassigned	<u>76 042 40</u>	<u>-</u>	<u>80 130 52</u>
Total fund equity	<u>76 042 40</u>	<u>208 281 93</u>	<u>288 412 45</u>
Total Liabilities and Fund Equity	<u><u>76 953 53</u></u>	<u><u>208 281 93</u></u>	<u><u>289 510 99</u></u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
March 31, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	288 412 45
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 governmental funds balance sheet:	
Capital assets at cost	220 034 78
Accumulated depreciation	<u>(219 431 69)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>289 015 54</u></u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended March 31, 2014

	General	Road Improvement	Total
Revenues:			
Property taxes	22 442 53	-	22 442 53
Other taxes	300 94	-	300 94
Licenses and permits	740 00	-	740 00
State revenue sharing	17 083 59	-	17 083 59
Charges for services:			
Property tax administration	8 745 98	-	8 745 98
Rent	550 00	-	550 00
Interest	991 63	1 078 90	2 070 53
Miscellaneous	9 581 84	-	9 581 84
	<u>60 436 51</u>	<u>1 078 90</u>	<u>61 515 41</u>
Total revenues			
Expenditures:			
Legislative:			
Township Board	6 729 97	-	6 729 97
General government:			
Supervisor	8 712 44	-	8 712 44
Elections	90 03	-	90 03
Assessor	3 553 67	-	3 553 67
Clerk	7 327 77	-	7 327 77
Board of Review	610 00	-	610 00
Treasurer	8 931 99	-	8 931 99
Building and grounds	9 977 68	-	9 977 68
Cemetery	2 207 50	-	2 207 50
Public safety:			
Liquor law enforcement	600 00	-	600 00
Fire protection	7 630 94	-	7 630 94
Protective inspection	880 40	-	880 40
Planning commission	120 00	-	120 00
Public works:			
Street lighting	-	3 415 16	3 415 16
	<u>57 372 39</u>	<u>3 415 16</u>	<u>60 787 55</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	3 064 12	(2 336 26)	727 86
Fund balances, April 1, 2013	<u>77 066 40</u>	<u>210 618 19</u>	<u>287 684 59</u>
Fund Balances, March 31, 2014	<u>80 130 52</u>	<u>208 281 93</u>	<u>288 412 45</u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	727 86
Amounts reported for governmental activities in the Statement of 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	(323 28)
Capital Outlay	<u>-</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>404 58</u></u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2014

	<u>Balance</u> <u>4/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/14</u>
<u>Assets</u>				
Cash in Bank	<u>60 89</u>	<u>651 358 30</u>	<u>651 233 60</u>	<u>185 59</u>
<u>Liabilities</u>				
Due to other funds	60 89	27 748 72	27 624 02	185 59
Due to other units	<u>-</u>	<u>623 609 58</u>	<u>623 609 58</u>	<u>-</u>
Total Liabilities	<u>60 89</u>	<u>651 358 30</u>	<u>651 233 60</u>	<u>185 59</u>

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

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Haight, Ontonagon County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Haight. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulating provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Position or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Investments

Investments are stated at market.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2013 tax roll millage rate was 1.5102 mills, and the taxable value was \$14,879,653.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	10-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

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

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2014

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>285 770 82</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	288 964 41
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>288 964 41</u>

The Township of Haight did not have any investments as of March 31, 2014.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/14</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	-	-	-	-
Subtotal	-	-	-	-
Capital assets being depreciated:				
Land improvements	129 600 00	-	-	129 600 00
Buildings	79 194 35	-	-	79 194 35
Equipment	11 240 43	-	-	11 240 43
Subtotal	220 034 78	-	-	220 034 78
Total	220 034 78	-	-	220 034 78
Accumulated Depreciation:				
Land Improvements	(129 600 00)	-	-	(129 600 00)
Buildings	(79 194 35)	-	-	(79 194 35)
Equipment	(10 314 06)	(323 28)	-	(10 637 34)
Total	219 108 41	(323 28)	-	(219 431 69)
Net Capital Assets	<u>926 37</u>	<u>(323 28)</u>	<u>-</u>	<u>603 09</u>

Depreciation expense of \$323.28 was charged to general government.

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

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

Note 8 – Building Permits

As of March 31, 2014, the Township had building permit revenues of \$740.00 and building permits expenses of \$880.40

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>185 59</u>	Current Tax Collection	<u>185 59</u>

The above amounts reflect property taxes that were collected but not paid to the General Fund during the year.

Note 10 – Budget Variances

During the fiscal year ended March 31, 2014, Township expenditures exceeded the budgeted amounts in the activities as follows:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General:			
Liquor Law Enforcement	522 50	600 00	77 50
Fire protection	-	7 630 94	7 630 94
Road Fund:			
Street Lighting	3 000 00	3 415 16	415 16

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	21 150 00	21 150 00	22 442 53	1 292 53
Other taxes	200 00	200 00	300 94	100 94
Licenses and permits	800 00	800 00	740 00	(60 00)
State revenue sharing	15 522 50	15 522 50	17 083 59	1 561 09
Charges for services:				
Property tax administration	9 000 00	9 000 00	8 745 98	(254 02)
Rent	200 00	200 00	550 00	350 00
Interest	500 00	500 00	991 63	491 63
Miscellaneous	1 500 00	1 500 00	9 581 84	8 081 84
Total revenues	48 872 50	48 872 50	60 436 51	11 564 01
Expenditures:				
Legislative:				
Township Board	8 805 00	8 805 00	6 729 97	(2 075 03)
General government:				
Supervisor	9 600 00	9 600 00	8 712 44	(887 56)
Elections	1 950 00	1 950 00	90 03	(1 859 97)
Assessor	3 800 00	3 800 00	3 553 67	(246 33)
Clerk	7 650 00	7 650 00	7 327 77	(322 23)
Board of Review	800 00	800 00	610 00	(190 00)
Treasurer	9 500 00	9 500 00	8 931 99	(568 01)
Building and grounds	15 000 00	15 000 00	9 977 68	(5 022 32)
Cemetery	3 150 00	3 150 00	2 207 50	(942 50)
Unallocated	1 100 00	1 100 00	-	(1 100 00)
Public safety:				
Liquor law enforcement	522 50	522 50	600 00	77 50
Fire protection	-	-	7 630 94	7 630 94
Protective inspection	1 400 00	1 400 00	880 40	(519 60)
Planning commission	600 00	600 00	120 00	(480 00)
Total expenditures	63 877 50	63 877 50	57 372 39	(6 505 11)
Excess (deficiency) of revenues over expenditures	(15 005 00)	(15 005 00)	3 064 12	18 069 12
Fund balance, April 1, 2013	15 005 00	15 005 00	77 066 40	62 061 40
Fund Balance, March 31, 2014	-	-	80 130 52	80 130 52

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD IMPROVEMENT FUND

Year ended March 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	15 000 00	15 000 00	-	(15 000 00)
Interest	-	-	1 078 90	1 078 90
Total revenues	<u>15 000 00</u>	<u>15 000 00</u>	<u>1 078 90</u>	<u>(13 921 10)</u>
Expenditures:				
Public works:				
Highways and streets	60 000 00	60 000 00	-	(60 000 00)
Street lighting	3 000 00	3 000 00	3 415 16	415 16
Total expenditures	<u>63 000 00</u>	<u>63 000 00</u>	<u>3 415 16</u>	<u>(59 584 84)</u>
Excess (deficiency) of revenues over expenditures	(48 000 00)	(48 000 00)	(2 336 26)	45 663 74
Fund balance, April 1, 2013	<u>48 000 00</u>	<u>48 000 00</u>	<u>210 618 19</u>	<u>162 618 19</u>
Fund Balance, March 31, 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>208 281 93</u></u>	<u><u>208 281 93</u></u>

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2014

Township Board:	
Salaries	3 720 00
Membership and dues	249 40
Miscellaneous	527 00
Payroll taxes	<u>2 233 57</u>
	<u>6 729 97</u>
Supervisor:	
Salary	6 300 00
Supplies	421 80
Mileage	<u>1 990 64</u>
	<u>8 712 44</u>
Elections:	
Supplies	<u>90 03</u>
Assessor:	
Wages	3 300 00
Supplies	<u>253 67</u>
	<u>3 553 67</u>
Clerk:	
Salary	6 900 00
Supplies	68 57
Mileage	349 20
Miscellaneous	<u>10 00</u>
	<u>7 327 77</u>
Board of Review:	
Wages	516 00
Printing and Publishing	<u>94 00</u>
	<u>610 00</u>
Treasurer:	
Salary	7 500 00
Supplies	393 99
Mileage	<u>1 038 00</u>
	<u>8 931 99</u>
Building and grounds:	
Wages	2 037 50
Operating supplies	1 758 51
Telephone	940 45
Insurance	2 850 00
Repairs and maintenance	1 670 20
Utilities	<u>721 02</u>
	<u>9 977 68</u>
Cemetery:	
Wages	2 197 50
Miscellaneous	<u>10 00</u>
	<u>2 207 50</u>
Liquor law enforcement:	
Wages	<u>600 00</u>

TOWNSHIP OF HAIGHT
Ontonagon County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2014

Fire protection:	
Contracted services	<u>7 630 94</u>
Protective inspection:	
Wages	520 00
Mileage	<u>360 40</u>
	<u>880 40</u>
Planning Commission:	
Wages	<u>120 00</u>
Total Expenditures	<u><u>57 372 39</u></u>

CAMPBELL AUDITING CPA, PLC

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 15, 2014

To the Township Board
Township of Haight
Ontonagon County, Michigan

We have audited the financial statements of the Township of Haight for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Haight in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Haight
Ontonagon County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit'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 accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board
Township of Haight
Ontonagon County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

BUDGET VARIANCES

For the year ended March 31, 2014, the Township exceeded the amounts budgeted for several activities. We recommend the Township amend the budget as necessary to comply with state law.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, for the year ended March 31, 2014.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell Auditing CPA, PLC

CAMPBELL AUDITING CPA, PLC