TOWNSHIP OF HAYES
CHARLEVOIX COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Management and the Township Board of Trustees
Township of Hayes
Charlevoix, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes (the "Township") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Implementation of GASB Statement No. 101

As discussed in Note 14 to the financial statements, in 2025 the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This statement establishes recognition and measurement guidance for compensated absences. The adoption of this standard did not result in a restatement of prior period balances. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Township's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
December 30, 2025

Management's Discussion and Analysis

Township of Hayes
Management's Discussion and Analysis
June 30, 2025

As management of the Township of Hayes, Charlevoix, Michigan (the "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $7,243,189 (net position). Of this amount, $757,059 represents unrestricted net position, which may be used to meet the Township's ongoing obligations to citizens and creditors.

- The Township's revenues were $1,177,717 and expenses were $1,160,287 for an increase in overall net position of $17,430.

- At the close of the current fiscal year, the Township's general fund reported a fund balance of $842,305, an increase of $115,125 in comparison with the prior year. Of that fund balance, $757,059 is available for spending at the government's discretion (*unassigned fund balance)*.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $757,059, or approximately 68.7% of annual general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township'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. This 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 and liabilities, 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 fiscal periods (e.g., depreciation of capital assets).

The government-wide financial statements report functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development, and recreation and culture.

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 two categories: governmental 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 two governmental funds, the general fund and road fund (a special revenue fund) are considered major funds. The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for each major fund has been provided to demonstrate compliance with its budget.

Fiduciary Funds **-** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township reports one type of fiduciary fund, which is a custodial fund.

Notes to the Financial Statements - The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedule.

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 the Township, assets exceeded liabilities and deferred inflows of resources by $7,243,189 at the close of the most recent fiscal year.

A portion of the Township's net position, $6,026,295, or 83.2% of its total net position, reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, and machinery and equipment). The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. $459,835 of the Township's net position, or 6.3%, is restricted for particular purposes. The remaining balance of $757,059, or 8.7% of its total net position, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Following is a comparative schedule showing the Township's assets, liabilities, deferred inflows of resources, and net position for each of the two past fiscal years:

Township of Hayes' Net Position

ASSETS	2025	2024
Current Assets		
Cash and investments	$ 1,268,773	$ 1,299,429
Accounts receivable	-	3,772
Leases receivable	122,978	122,978
Due from other units of government	37,143	37,156
Total Current Assets	1,428,894	1,463,335
Noncurrent Assets		
Leases receivable, long-term	2,951,341	2,980,379
Capital assets not being depreciated	4,277,202	4,282,202
Capital assets being depreciated, net	2,983,283	3,121,088
Total Assets	11,640,720	11,847,004
LIABILITIES		
Current Liabilities		
Accounts payable	21,142	47,425
Accrued payroll and related liabilities	-	471
Unearned revenue	83,000	131,602
Current portion of long-term debt	86,659	83,825
Total Current Liabilities	190,801	263,323
Noncurrent Liabilities		
Long-term debt	1,147,531	1,234,432
Total Liabilities	1,338,332	1,497,755
DEFERRED INFLOWS OF RESOURCES		
Deferred lease revenue	3,059,199	3,123,490
Total Deferred Inflows of Resources	3,059,199	3,123,490
NET POSITION		
Net investment in capital assets	6,026,295	6,079,115
Restricted	459,835	486,665
Unrestricted	757,059	659,979
Total Net Position	$ 7,243,189	$ 7,225,759

Cash and investments decreased by $30,626 primarily due to cash outflows related to capital purchases. Depreciation exceeded current year capital additions causing a decrease of $137,805 in capital assets being depreciated. Timing of year end expenditures incurred but not yet paid caused the $26,283 increase to accounts payable. ARPA grant revenues were earned during the year causing the decrease in unearned revenues of $48,602. Recognition of current year's earned lease revenues account for the decrease in deferred inflows of resources.

The Township's overall net position increased $17,430 from the prior fiscal year. The reasons for this overall increase are discussed in the following section.

Township of Hayes' Changes in Net Position

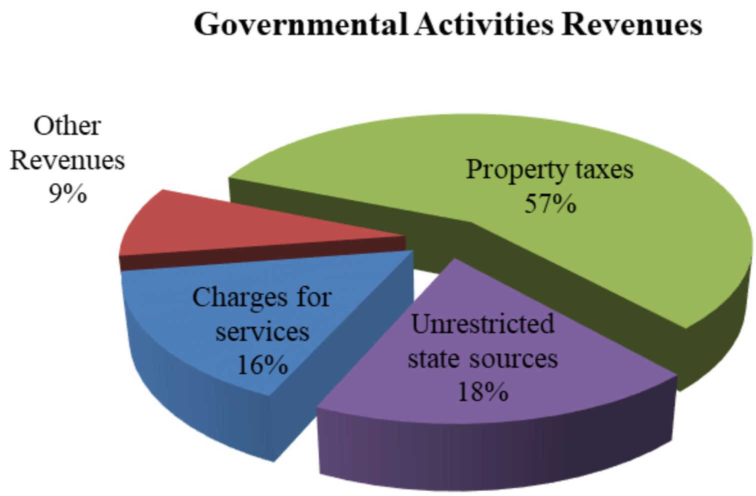
Revenues	2025	2024
Program Revenues		
Charges for services	$ 187,545	$ 188,498
Operating grants and contributions	83,210	28,324
Capital grants and contributions	9,817	67,904
Total Program Revenues	280,572	284,726
General Revenues		
Property taxes	672,857	630,855
Unrestricted state sources	216,267	208,209
Interest income	8,021	7,914
Total General Revenues	897,145	846,978
Total Revenues	1,177,717	1,131,704
Expenses		
General government	465,135	433,259
Public safety	38,439	33,373
Public works	359,636	367,850
Health and welfare	73,993	83,993
Community and economic development	62,094	78,099
Recreation and culture	122,079	121,572
Interest on long-term debt	38,911	38,283
Total Expenses	1,160,287	1,156,429
Change in Net Position	17,430	(24,725)
Net Position at the Beginning of Period, as Restated	7,225,759	7,250,484
Net Position at the End of Period	$ 7,243,189	$ 7,225,759

Total program revenues, while experiencing categorical changes, were only $4,154 less than in the prior year. Changes in operating grants and capital grants were related to how ARPA funds were used in the current year vs. the prior year. Taxable value increases were largely responsible for the increase in property tax revenues.

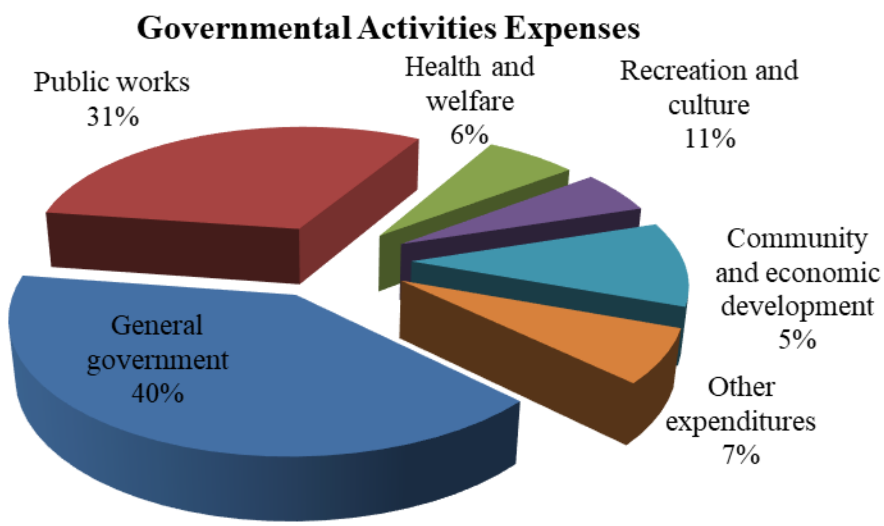
General government expenses were $31,876 more than in the previous year due in large part to paying for software conversion and hosting costs for the Township’s accounting software and general inflationary increases to costs. Community and economic development expenses were $16,005 less in the current year largely as a result of less administrative and enforcement costs in the current year.

Governmental Activities

The following chart summarizes the revenue sources of the Township for the most recent fiscal year-end.



The following chart summarizes the expenses of the Township for the most recent fiscal year-end.



Financial Analysis of Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Township'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's Board.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance was $757,059 and total fund balance of the general fund was $842,305, an increase of $115,125 from the prior fiscal year. As a measure of the general fund's liquidity, it may be useful to compare unassigned and total fund balance to total general fund expenditures. Explanations for the changes in the general fund were mentioned in an earlier section of this report.

The road fund, a major fund, had a decrease in fund balance of $38,957 from the prior fiscal year, bringing the ending restricted balance to $374,589. Property taxes remained relatively consistent and the fund paid back the general fund for road work paid by it during the year.

General Fund Budgetary Highlights

Original budget compared to final budget. There were some significant amendments to the original estimated expenditure classifications during the year.

Final budget compared to actual results. The Township had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

Fund/Function/Department	Final Budget	Actual Amount	Negative Variance
General Fund			
General Government			
Township Board	$ 134,720	$ 154,769	$ (20,049)
Public Safety			
Fire Department	30,000	37,638	(7,638)
Community and Economic Development			
Zoning	24,770	39,012	(14,242)
Debt Service	-	122,978	(122,978)

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets (construction in progress, land and improvements, buildings and improvements, and machinery and equipment) for its governmental activities as of June 30, 2025 amounts to $7,260,485 net of accumulated depreciation), a decrease of $142,805, or 1.9%, from the prior fiscal year; comprising of additions of $19,603 less depreciation of $162,408.

More detailed information about the Township's capital assets can be found in note 6.

Long-term Debt

The Township had $1,234,190 of long-term debt as of June 30, 2025. This was a decrease of $84,067, consisting of debt service principal payments of $84,067.

More detailed information about the Township's capital assets can be found in note 7.

Economic Condition and Outlook

The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2026, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Hayes
9195 Major Douglas Sloan Road
Charlevoix, MI 49720

Basic Financial Statements

Township of Hayes
Statement of Net Position
June 30, 2025

ASSETS	
Current Assets	
Cash and investments	$ 1,268,773
Leases receivable	122,978
Due from other units of government	37,143
Total Current Assets	1,428,894
Noncurrent Assets	
Leases receivable, long-term	2,951,341
Capital assets not being depreciated	4,277,202
Capital assets being depreciated, net	2,983,283
Total Assets	11,640,720
LIABILITIES	
Current Liabilities	
Accounts payable	21,142
Unearned revenue	83,000
Current portion of long-term debt	86,659
Total Current Liabilities	190,801
Noncurrent Liabilities	
Long-term debt	1,147,531
Total Liabilities	1,338,332
DEFERRED INFLOWS OF RESOURCES	
Deferred lease revenue	3,059,199
Total Deferred Inflows of Resources	3,059,199
NET POSITION	
Investment in capital assets	6,026,295
Restricted for:	
Roads	374,589
Metro Act	85,246
Unrestricted	757,059
Total Net Position	**$ 7,243,189**

Township of Hayes
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Governmental Activities:					
General government	$ 465,135	$ 4,994	$ 64,581	$ --	$ (395,560)
Public safety	38,439	--	--	--	(38,439)
Public works	359,636	1,325	17,384	--	(340,927)
Health and welfare	73,993	158,231	1,245	--	85,483
Community and economic development	62,094	12,995	--	--	(49,099)
Recreation and culture	122,079	10,000	--	9,817	(102,262)
Interest on long-term debt	38,911	--	--	--	(38,911)
Total	1,160,287	187,545	83,210	9,817	(879,715)
		General Purpose Revenues:			
		Property taxes			672,857
		Unrestricted state sources			216,267
		Interest and rentals			8,020
		Total General Revenues			897,144
		Change in Net			**17,430**
		Net Position at Beginning of Period, as Previously Presented			7,190,884
		Error Correction - Correct Timing of Fire Contract Expense Recognition			34,875
		Net Position at Beginning of Period, as Restated			7,225,759
		Net Position at End of Period			$ **7,243,189**

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Balance Sheet
Governmental Funds
June 30, 2025

	General	Special Revenue Road	Total Governmental Funds
ASSETS			
Cash and investments	$ 894,184	$ 374,589	$ 1,268,773
Leases receivable	122,978	--	122,978
Due from other units of government	37,143	--	37,143
Leases receivable, long-term	2,951,341	--	2,951,341
Total Assets	**$ 4,005,646**	**$ 374,589**	**$ 4,380,235**
LIABILITIES			
Accounts payable	$ 21,142	$ --	$ 21,142
Unearned revenue	83,000	--	83,000
Total Liabilities	104,142	--	104,142
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	3,059,199	--	3,059,199
Total Liabilities and Deferred Inflows of Resources	3,163,341	--	3,163,341
FUND BALANCE			
Restricted for:			
Metro Act	85,246	--	85,246
Roads	--	374,589	374,589
Unassigned	757,059	--	757,059
Total Fund Balance	842,305	374,589	1,216,894
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 4,005,646**	**$ 374,589**	**$ 4,380,235**

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds	$	1,216,894
General government capital assets of $8,202,713, net of accumulated depreciation of $942,228, are not financial resources, and accordingly are not reported in the funds.		7,260,485
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(1,234,190)
Total Net Position - Governmental Activities	$	**7,243,189**

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

		Special Revenue	
	General	**Road**	**Total Governmental Funds**
Revenues			
Property taxes	$ 381,802	$ 291,055	$ 672,857
Intergovernmental	289,442	5,257	294,699
Charges for services	15,820	--	15,820
Interest and rentals	161,559	4,692	166,251
Other	28,089	--	28,089
Total Revenues	876,712	301,004	1,177,716
Expenditures			
General government	479,863	--	479,863
Public safety	37,638	--	37,638
Public works	359,636	--	359,636
Community and economic development	62,094	--	62,094
Recreation and culture	39,340	--	39,340
Debt service, principal	84,067	--	84,067
Debt service, interest	38,911	--	38,911
Total Expenditures	1,101,549	--	1,101,549
Excess of Revenues Over (Under) Expenditures	(224,836)	301,004	76,168
Other Financing Sources (Uses)			
Transfers in	339,961	--	339,961
Transfers out	--	(339,961)	(339,961)
Net Other Financing Sources (Uses)	339,961	(339,961)	--
Net Change in Fund Balance	**115,125**	**(38,957)**	**76,168**
Fund Balance at Beginning of Period, as Previously Presented	692,305	413,546	1,105,851
Error Correction - Correct Timing of Fire Contract Expenditure Recognition	34,875	--	34,875
Fund Balance at Beginning of Period, as Restated	727,180	413,546	1,140,726
Fund Balance at End of Period	**$ 842,305**	**$ 374,589**	**$ 1,216,894**

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds	$	76,168
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is represented by the amount by which capital outlay of $19,603 is exceeded by depreciation expense of $162,408.		(142,805)
Current year long-term debt principal payments on installment purchase agreements are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.		84,067
Changes in Net Position - Governmental Activities	$	**17,430**

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2025

	Custodial Fund
	Tax Collection
ASSETS	$
Total Assets	--
LIABILITIES	
Total Liabilities	--
NET POSITION	
Total Net Position	$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Hayes
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2025

		Custodial Fund
ADDITIONS		**Tax Collection**
Property taxes collected for other governments	$	9,234,329
Total Additions		9,234,329
DEDUCTIONS		
Payment of property taxes collected for other governments		9,234,329
Total Deductions		9,234,329
Net Increase (Decrease) in Net Position		--
Net Position at Beginning of Period		--
Net Position at End of Period	$	--

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Hayes (the "Township" or "government") have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is located in Charlevoix County, Michigan and provides services to approximately 2,000 residents. The Township operates under a Board of Trustees consisting of a supervisor, treasurer, clerk, and two trustees. The services rendered to residents include public safety, highways and streets, health and welfare, recreation and culture, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements represent the Township for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if component unit data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Township.

Related Organizations

The ***Lake Charlevoix Emergency Medical Services Authority*** (the "LCEMS Authority") was established in 2021 under Public Act 57 of 1988, in order to provide the needed financial assistance to ensure a stable and reliable ambulance service within the Township of Charlevoix, the Township of Hayes, the Township of Marion, the Township of Norwood, and the City of Charlevoix. The LCEMS Authority is an independent legal entity organized under state statute and the participating municipalities have no equity interest in the entity. The members of the LCEMS Authority's governing board are comprised of one member from each of the participating municipalities. The LCEMS Authority determines its own its own budget, sets its own rates, and may issue debt in its own name. The Township is not responsible for deficits or liabilities of the LCEMS Authority; however, the Township, along with the other participating municipalities, provides support to the LCEMS Authority in the form of property taxes. Accordingly, the Township has elected to exclude the LCEMS Authority and all related note disclosures in these financial statements. The LCEMS Authority is audited separately from the Township and complete financial statements may be obtained from the LCEMS Authority at 9251 Major Douglas Sloan Road, Charlevoix, MI 49720.

The ***City of Charlevoix, Township of Hayes, Township of Charlevoix Recreational Authority*** (the "Recreational Authority") was established in May 2004 under the provisions of Act No. 321, Public Acts of 2000, in order to operate, fund, or contract for the operation of the Charlevoix Area

Community Pool and to provide such other services and exercise such powers as are authorized by law. The participating municipalities are the City of Charlevoix, the Township of Hayes, and the Township of Charlevoix. The Recreational Authority is an independent legal entity organized under state statute and the participating municipalities have no equity interest in the entity. The members of the Recreational Authority's governing board are comprised of one member from each of the participating municipalities. The Recreational Authority determines its own budget, sets its own rates, and may issue debt in its own name. The Township is not responsible for deficits or liabilities of the Recreational Authority; however, the Township, along with the other participating municipalities, provides support to the Recreational Authority in the form of property taxes. Accordingly, the Township has elected to exclude the Recreational Authority and all related note disclosures in these financial statements. The Recreational Authority is audited separately from the Township and complete financial statements may be obtained from the Recreational Authority at 9195 Major Douglas Sloan Road, Charlevoix, MI 49720.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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*, as are the fiduciary fund financial statements. Revenues are 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 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.

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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, state shared revenues, 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. Only the portion of receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following governmental funds:

The ***general fund***, which is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state distributions or grants, charges for services, interest income, and other intergovernmental revenues.

The ***road fund***, a special revenue fund, accounts for activity related to road improvements within the Township. Revenues are derived primarily from property taxes, state distributions, and interest income.

Following is a description of the fiduciary fund maintained by the Township:

The ***custodial fund*** accounts for the collection and payment of property tax levies.

Assets, Liabilities, Deferred Inflows of Resources, and Fund Equity

Cash and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the primary government and component units to invest in the following:

- In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.

- In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.

- In United States government of federal agency obligation repurchase agreements.

- In banker's acceptances of United States banks.

- In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Investments are stated at fair market value.

Receivables

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township reported no uncollectible amounts.

Leases Receivable

The Township acts as a lessor for leases involving the right to use Township assets. As per GASB 87, the Township recognizes a lease receivable and a deferred inflow of resources in its government-wide and governmental fund financial statements.

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Over the lease term, the deferred inflow of resources is recognized as revenue.

Significant estimates and judgments involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The Township utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

The Township continually monitors changes that may necessitate a remeasurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Years
Land Improvements	20
Buildings and Improvements	20 - 40
Machinery and Equipment	5 - 20

Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Township employees are not provided compensated absences and, accordingly, a liability isn't reported.

Deferred Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred inflows of resources. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Township has one items that qualify for reporting in this category. This amount is a deferred inflow related to the Township's leases receivable. This item, *deferred lease revenues,* is reported on both the statement of net position and in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance Policies

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The *nonspendable fund balance* classification includes amounts that cannot be spent because they are either; a) not in spendable form – pre-paid items or inventories; or b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

> *Restricted fund balance.* This classification reflects the constraints imposed on resources either; a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
>
> *Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
>
> *Assigned fund balance.* This classification reflects the amounts constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Amounts are designated by the Township Board.
>
> *Unassigned fund balance* is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Fund Balance Flow Assumptions

Sometimes the Township 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 been 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.

Net Position Flow Assumption

Sometimes the Township 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.

Use of Estimates

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

Property Tax Revenue Recognition

Property taxes are levied on July 1st and December 1st and are payable without penalty in one installment on September 14th and February 14th, respectively. The Township bills and collects its own property taxes and also collects taxes for the county and school districts within the Township. Collection of other governmental unit's taxes and remittance of them to the units are accounted for in the custodial fund. Property taxes are recognized as revenue and become available for appropriation in the year in which they are levied.

The 2024 state taxable valuation of the Township totaled $293,423,714, on which taxes levied consisted of 0.9612 mills for operating purposes and 1.00 mills for road improvements.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on the modified accrual basis for all operating funds of the Township except for the custodial fund. Budgetary control is legally maintained at the fund level. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 15, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

- Public hearings are conducted at the Township hall to obtain public comments.

- Prior to June 30th the budget and annual appropriations act are legally adopted by the Township Board.

- Formal budget integration is employed as a management control device during the year for all budgetary funds.

- Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the Township's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds.

- Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the Township Board. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.

- All budget appropriations lapse at the end of the year.

- Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

Excess of Expenditures Over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

The Township had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2025:

Fund/Function/Department	Final Budget	Actual Amount	Negative Variance
General Fund			
General Government			
Township Board	$ 134,720	$ 154,769	$ (20,049)
Public Safety			
Fire Department	30,000	37,638	(7,638)
Community and Economic Development			
Zoning	24,770	39,012	(14,242)
Debt Service	-	122,978	(122,978)

The Township had expenditures in excess of the amount appropriated for debt service, the Township also received $122,978 in lease payments which are used to cover those debt service payments. The Township expects to be incorporating those above lease payments and debt payments into their budgeting process for future years.

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investments balances as of June 30, 2025:

Statement of Net Position	
Cash and Investments	$ 1,268,773
Statement of Fiduciary Net Position	
Cash and Investments - Custodial Fund	-
Total Cash and Investments	$ 1,268,773
Deposits and Investments	
Checking and Savings Accounts	$ 218,624
Money Market Accounts	1,050,149
Total Deposits and Investments	$ 1,268,773

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require, and the Township does not have a policy for deposit custodial credit risk. As of year-end, $684,157 of the Township's bank balance of $1,269,890 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 4 - Interfund Transactions

The Township had one interfund transfer occur during the year. The road fund transferred $339,961 to the general fund to reimburse it for roads expenditures. There were no amounts outstanding as payable or receivable amongst funds at fiscal year-end.

Note 5 - Leases Receivable

The Township is reporting total lease receivables of $3,074,319 and total deferred inflows of resources related to lease revenues of $3,059,199 as of June 30, 2025. The Township received $122,978 in lease payments from the Lake Charlevoix Emergency Medical Services Authority during the year ended June 30, 2025 resulting in reported lease revenue of $64,291 and interest revenue of $94,809.

Ambulance Station Lease Agreement – On February 1, 2023, the Township entered into a 15-year lease agreement with the Lake Charlevoix Emergency Medical Services Authority (the "LCEMS Authority") in which the LCEMS Authority will lease the ambulance station from the Township at a rate of $10,248 per month. At the conclusion of the initial term, the lease agreement calls for an automatic renewal for an additional term of 35 years. Based on this agreement, the Township is receiving monthly payments through January 31, 2073.

Note 6 - Capital Assets

Capital asset activity for governmental activities during the year was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	$ 4,277,202	$ -	$ -	$ 4,277,202
Construction in Progress	5,000		(5,000)	-
Subtotal	4,282,202	-	(5,000)	4,277,202
Capital Assets being Depreciated				
Land Improvements	1,893,043		-	1,893,043
Buildings and Improvements	1,877,480	9,503	-	1,886,983
Machinery and Equipment	130,385	15,100	-	145,485
Subtotal	3,900,908	24,603	-	3,925,511
Accumulated Depreciation				
Land Improvements	(424,128)	(73,779)	-	(497,907)
Buildings and Improvements	(252,906)	(79,636)	-	(332,542)
Machinery and Equipment	(102,786)	(8,993)	-	(111,779)
Subtotal	(779,820)	(162,408)	-	(942,228)
Capital Assets being Depreciated, net	3,121,088	(137,805)	-	2,983,283
Capital Assets, net	$ 7,403,290	$ (137,805)	$ (5,000)	$ 7,260,485

Depreciation expense of $162,408 was allocated as follows:

Governmental Activities	
General Government	$ 4,875
Public Safety	801
Health and Welfare	73,993
Recreation and Culture	82,739
Total	$ 162,408

Note 7 - Long-term Debt

Detailed Long-term Obligations Disclosures

Ambulance Station Installment Purchase Agreement (Direct Placement) – $1,479,859 Installment Purchase Agreement, dated July 1, 2022, for the purpose of constructing the ambulance station to lease to the Lake Charlevoix Emergency Medical Services Authority. The agreement bears interest at 3.04% and are due in monthly installments through July 1, 2037. The full faith and credit of the Township have been pledged for the prompt payment of the principal of and interest on this agreement.

The following schedule summarizes the changes in the Township's long-term debt during the year:

Governmental Activities	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Placement							
Ambulance Barn Installment Purchase Agreement	3.040%	2037	$ 1,318,257	$ -	$ (84,067)	$ 1,234,190	$ 86,659

The following schedule summarizes long-term debt annual maturities:

	Governmental Activities		
	Principal	Interest	Total
2026	$ 86,659	$ 36,569	$ 123,228
2027	89,072	33,905	122,977
2028	91,818	31,159	122,977
2029	94,649	28,329	122,978
2030	97,566	25,411	122,977
2031-2035	534,845	80,043	614,888
2036-2038	239,581	17,122	256,703
Totals	$ 1,234,190	$ 252,538	$ 1,486,728

Debt service payments for the installment purchase agreement are expected to be paid from the general fund.

Note 8 - Tax Abatement

The Township has entered into tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Tax exemption or IFT) PA198 of 1974, as amended. The IFT on a new plant and non-industrial property, such as some high-tech personal property, is computed at half the local property tax millage rate. This amounts to a reduction in property taxes of approximately 50% for those businesses. For the year ended June 30, 2025, total IFT tax abatements for the Township resulted in decreased operating revenues of $2,341.

Note 9 - Risk Management

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

Note 10 - Litigation

In the normal course of its operations, the Township has become a party in various legal actions, including property tax appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township. Amounts reserved for losses to legal actions have not been included as a liability in the financial statements.

Note 11 - Contingencies

The Township receives financial assistance from the federal and state governments in the forms of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the granting agencies. Any disallowance as a result of these audits could become a liability of the Township. The Township is unable to estimate what liabilities, if any, may result from such audits.

Note 12 - Subsequent Events

Management is not aware of any subsequent events that would have a significant impact on the financial condition of the Township.

Note 13 - Restatement of Beginning Net Position and Fund Balance

During the year ended June 30, 2025, the Township identified an error in the prior-year recognition of expenditures and expenses related to its fire protection services contract. Certain costs attributable to fire protection services were recognized in an incorrect fiscal period in the previously issued June 30, 2024 financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, the Township has corrected this error by restating beginning fund balances and net position as of July 1, 2024. The correction resulted in an increase of $34,875 to beginning fund balance of the General Fund and total governmental funds, and a corresponding increase of $34,875 to beginning net position of governmental activities.

The effects of the correction on previously reported balances are presented in the table above.

	Reporting Units Affected by Restatements of Beginning Balances		
	Governmental Funds		Government-Wide
Description	**General Fund**	**Total Governmental Funds**	**Governmental Activities**
June 30, 2024, as previously reported	$ 692,305	$ 1,105,851	$ 7,190,884
Error Correction - Expenditure / Expense Recognition	34,875	34,875	34,875
June 30, 2024, as restated	$ 727,180	$ 1,140,726	$ 7,225,759

Beginning fund balances of the general fund's fund balance, total governmental funds fund balance, and beginning net position of governmental activities are being restated to account for an error in recognition of fire protection contract expenditures/expenses in the previous year.

Note 14 - Implementation of New Accounting Standard

During the year ended June 30, 2025, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 replaces GASB 16, *Accounting for Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the Township's 2025 financial statements and had no material effect on the beginning net position of the governmental activities.

Required Supplementary Information

Township of Hayes
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year ending Ended June 30, 2025

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Property taxes	$ 380,000	$ 380,000	$ 376,844	$ (3,156)
Intergovernmental	355,500	355,500	294,400	(61,100)
Charges for services	12,000	12,000	15,820	3,820
Interest and rentals	2,500	2,500	161,559	159,059
Other	25,000	25,000	28,089	3,089
Total Revenues	775,000	775,000	876,712	101,712
Other Financing Sources				
Transfers in	366,291	366,291	339,961	(26,330)
Total Revenues and Other Financing Sources	1,141,291	1,141,291	1,216,673	75,382
Expenditures				
General Government				
Township Board	52,500	134,720	154,769	(20,049)
Supervisor	34,626	34,626	33,887	739
Clerk	57,126	59,626	58,631	995
Board of Review	3,350	3,350	2,317	1,033
Treasurer	40,576	38,876	36,086	2,790
Assessor	39,576	40,276	38,327	1,949
Elections	12,500	25,000	22,255	2,745
Building and Grounds	87,000	67,900	67,192	708
Other General Government	46,000	89,554	66,399	23,155
Total General Government	373,254	493,928	479,863	14,065
Public Safety - Fire Department	80,000	30,000	37,638	(7,638)
Public Works				
Roads	62,400	402,361	303,698	98,663
Spring Cleaning	60,000	55,000	42,838	12,162
Cemetery	26,500	17,500	13,100	4,400
Total Public Works	148,900	474,861	359,636	115,225
Health and Welfare - Ambulance	20,000	14,000	--	14,000
Community and Economic Development				
Zoning	70,400	24,770	39,012	(14,242)
PC/ZBA	27,500	35,200	23,082	12,118
Total Community and Economic Development	97,900	59,970	62,094	(2,124)
Recreation and Culture - Parks and Recreation	100,050	94,800	39,340	55,237
Debt Service	--	--	122,978	(122,978)
Total Expenditures	820,104	1,167,559	1,101,549	66,010
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	321,187	(26,268)	115,125	141,393
Net Change in Fund Balance	**321,187**	**(26,268)**	**115,125**	**141,393**
Fund Balance at Beginning of Period, as Previously Presented	692,305	692,305	692,305	--
Error Correction - Correct Timing of Fire Contract Expenditure Recognition	34,875	34,875	34,875	--
Fund Balance at Beginning of Period, as Restated	727,180	727,180	727,180	--
Fund Balance at End of Period	**$ 1,048,367**	**$ 700,912**	**$ 842,305**	**$ 141,393**

Township of Hayes
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Road
For the Year ending Ended June 30, 2025

	Budgeted Amounts			Variance Positive (Negative)
	Original	**Final**	**Actual**	**Final to Actual**
Revenues				
Property taxes	$ 260,030	$ 260,030	$ 291,055	$ 31,025
Intergovernmental	5,000	5,000	5,257	257
Interest and rentals	--	--	4,692	4,692
Total Revenues	265,030	265,030	301,004	35,974
Expenditures				
Total Expenditures	--	--	--	--
Other Financing Uses				
Transfers out	366,921	366,921	339,961	26,960
Total Expenditures and Other Financing Uses	366,921	366,921	339,961	26,960
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(101,891)	(101,891)	(38,957)	62,934
Net Change in Fund Balance	**(101,891)**	**(101,891)**	**(38,957)**	**62,934**
Fund Balance at Beginning of Period	413,546	413,546	413,546	--
Fund Balance at End of Period	**$ 311,655**	**$ 311,655**	**$ 374,589**	**$ 62,934**

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December 30, 2025

To the Members of the Township Board of Trustees
Township of Hayes
Charlevoix, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes (the "Township") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 September 16, 2025. 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 Township are described in Note 1 to the financial statements. During the year, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of this standard did not result in a restatement of beginning net position. We noted no other new accounting policies adopted and no changes to the application of existing policies during the fiscal year. We also noted no transactions entered into by the County 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 estimate affecting the Township's financial statements was:

- 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 future economic benefit.

We evaluated the key factors and assumptions used above 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. Some of the misstatements were material to the financial statements. Proposed adjusting journal entries were provided to and recorded by management.

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 December 30, 2025.

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 Township'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 Township'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 management's discussion and analysis and the budgetary comparison schedules, 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 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material Weaknesses:

We consider the following deficiencies to be material weaknesses:

Material Weakness - 2025-001 - Material Audit Adjustments and Financial Statement Preparation (Repeat Finding)

> *Criteria*: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the 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 notes to the financial statements (i.e., external financial reporting).

Condition: We identified and proposed material audit adjustments that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: The Township has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interest of the Township to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all nonattest work performed by the external auditors.

Material Weakness - 2025-002 - Segregation of Incompatible Duties (Repeat Finding)

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Township. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition/Finding: The Township has accounting functions which are performed by the same individual and are not subject to a documented independent review and approval. These areas include journal entries, cash reconciliations, and accounts payable transactions.

Cause: This condition is a result of the limited size of the Township's accounting staff.

Effect: As a result of this condition, the Township is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Management's Response: As a result of the limited staffing, we cannot accomplish the desired segregation of duties. Management staff will provide increased oversight and review of the operations to help correct errors and to deter inappropriate actions and potential fraud.

Township's Response to Findings

The Township's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Restriction on Use

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

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI

Township of Hayes

Comments and Recommendations

For the June 30, 2025 Audit

During our audit, we identified several opportunities for strengthening internal controls and improving operational efficiency. This memorandum outlines our recommendations to help the Township enhance its financial management processes and prepare for upcoming accounting changes. These suggestions are intended to support the Township Board's efforts to achieve greater accuracy, efficiency, and compliance throughout its operations.

The following recommendations are grouped by category for clarity and actionability:

1. Pooled Cash

The Township has recently implemented BS&A Software for accounting purposes. This software is capable of accounting for multiple funds' cash balances when usining a single bank account. The Township, at June 30, 2025 has bank accounts that are segregated for individual funds and only one checking account. This creates added workload, complications arising from banking transfers, and accounting confusion for Township management regarding budgeting or not budgeting for transfers. Pooling of cash is a proven methodology for reducing workload, reducing the need for bank account transfers, and reducing complexity of cash availability. Currently, as part of the conversion, and historical records, the Township has listed amounts due to and due from other funds for the general and roads fund; as part of the audit these accounts are presented as resolved via journal entry to be in conformance with accounting standards. Implementation of pooled cash accounts would simplify the accounting for these balances and ultimately aid in resolving them.

Recommendation:

We strongly recommend the Township review its use of bank accounts and consider implementing a pooled cash checking account that could be used for both the general fund and the road fund.

2. Tax Receipting / Collections / Reconciliation

Historically, the Township has not accounted for tax receipting activity in its general ledger accounting system in a 703-Current Tax Collection Fund. On the ledger, the Township is accounting for tax dollars in its general fund. During fiscal year 2025, the Township converted to BS&A software; the same software that is used to process tax bills and receipts. This software integrates directly with the general ledger accounting system.

Recommendation:

We recommend that the Township work with BS&A and/or an outside accounting firm as needed to ensure that tax receipting and disbursements are being processed through the BS&A system in a 703 Current Tax Collection fund, and the reconciliation for that bank account is also being performed within that system.

Conclusion

The recommendations outlined above are intended to help Hayes Township strengthen its financial management processes, improve operational efficiency, and maintain compliance with applicable regulations. We are available to discuss these recommendations further or assist with any questions the Township Board may have.