

**BAINBRIDGE TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

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**FINANCIAL STATEMENT**

**March 31, 2009**

**BAINBRIDGE TOWNSHIP  
TOWNSHIP BOARD MEMBERS  
MARCH 31, 2009**

**TOWNSHIP BOARD**

Jerry Jollay	Supervisor
Debra Grieser	Clerk
Mark Epple	Treasurer
John Yetzke	Trustee
Don Baiers	Trustee

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## INDEPENDENT AUDITOR'S REPORT

To the Board of  
Bainbridge Township

We have audited the accompanying financial statements of the governmental activities and each major fund of Bainbridge Township (the "Township"), as of and for the year ended March 31, 2009, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bainbridge Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bainbridge Township as of March 31, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 23 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Schaffer &amp; Layher".

Schaffer & Layher  
July 14, 2009

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as whole and present longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The Township's combined net assets increased \$14,981 or 0.798% from a year ago—increasing from \$1,877,146 to \$1,892,127.

**Overview of the Financial Statements**

This report consists of three parts---*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - The *governmental fund statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Overview of the Financial Statements, Concluded**

Major Features of Bainbridge Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township’s net assets and how they have changed. Net assets are the difference between the Township’s assets and liabilities, which is one way to measure the Township’s financial health, or position.

- Over time, increases or decreases in the Township’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township’s property tax base and condition of the Township’s infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township’s basic services are included here, such as general government, public safety, public works, and recreation and culture.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governmental Fund*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Fund*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's governments-wide financial statements because the Township cannot use these assets to finance its operations.

**Financial Analysis Of The Township As A Whole**

The Township's combined net assets were \$1,892,127. In a condensed format the following table below shows a breakdown of the net assets:

	<u>Governmental Activities</u>	
	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Current Assets	\$ 1,467,642	\$ 1,460,250
Other Assets	-	9,223
Capital Assets	426,016	420,754
<b>Total Assets</b>	<b><u>\$ 1,893,658</u></b>	<b><u>\$ 1,890,227</u></b>
Other Liabilities	\$ 1,531	\$ 4,176
Deferred Revenue	-	8,905
<b>Total Liabilities</b>	<b><u>\$ 1,531</u></b>	<b><u>\$ 13,081</u></b>
Net Assets		
Invested in capital assets, net of related debt	\$ 426,016	\$ 420,754
Unrestricted	1,464,771	1,456,392
<b>Total Net Assets</b>	<b><u>\$ 1,890,787</u></b>	<b><u>\$ 1,877,146</u></b>

Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$9,719 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$1,466,111 or about 384% of current year expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	
	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Program Revenues		
Charges for services	\$ 47,876	\$ 43,110
Operating Grants and Contributions	-	8,905
General Revenues		
Property Taxes	76,598	64,389
State Shared Revenues	214,179	217,672
Fines and Forfeits	160	668
Interest	49,073	59,290
Other Revenues	8,808	6,813
Total Revenues	<u>\$ 396,694</u>	<u>\$ 400,847</u>
Program Expenses		
General Government	\$ 195,883	\$ 210,341
Public Safety	135,828	128,709
Public Works	15,352	47,060
Recreation and Culture	4,000	4,000
Community & Economic Development	16,098	5,303
Depreciation	14,552	11,275
Total Expenses	<u>\$ 381,713</u>	<u>\$ 406,688</u>
Change in Net Assets	<u>\$ 14,981</u>	<u>\$ (5,841)</u>

The Township's net assets increased slightly from last year. Net assets increased to \$1,892,127.

### **Governmental Activities**

The Township's total governmental revenues decreased by \$4,153 and expenses decreased by \$24,975 during the year. The revenue decrease was largely attributable to a decrease in operating grants and contributions and interest. The expense decrease was primarily the result of an decrease in general government expenditures and public works.

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2009 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, and other. The most significant is fire, which incurred expenses of \$76,856 in 2009. The service is supported by general revenue sources of the General Fund.

**General Fund Budgetary Highlights**

The Township Board amended the budget once throughout the course of the year.

**Capital Asset and Debt Administration**

At the end of March 31, 2009, the Township had investment in capital assets for its governmental activities of \$426,016 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

**Economic Factors and Next Year's Budgets and Rates**

The Township's anticipates revenue over expenditures in the governmental activities next year.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 420,623
Investments	986,113
Taxes Receivable	4,501
Receivables, Net	25,099
Due from Other Governmental Units	28,479
Due from Fiduciary Funds	1,487
Prepaid Expenditures	1,340
Capital Assets, Net	426,016
Total Assets	<u>\$ 1,893,658</u>
<b>Liabilities</b>	
Accounts Payable	\$ 800
Accrued and Other Liabilities	731
Total Liabilities	<u>\$ 1,531</u>
<b>Net Assets</b>	
Invested in Capital Assets Net of Related Debt	\$ 426,016
Unrestricted	1,464,771
Total Net Assets	<u>\$ 1,890,787</u>

*\*The notes to the financial statements are an integral part of these statements.*

**BAINBRIDGE TOWNSHIP****GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES  
March 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>Primary Government</b>					
<i>Governmental Activities</i>					
General Government	\$ 195,883	\$ -	\$ -	\$ -	\$ (195,883)
Public Safety	135,828	47,876	-	-	(87,952)
Public Works	15,352	-	-	-	(15,352)
Recreation and Culture	4,000	-	-	-	(4,000)
Community & Economic Development	16,098	-	-	-	(16,098)
Depreciation	14,552	-	-	-	(14,552)
Total Governmental Activities	<u>\$ 381,713</u>	<u>\$ 47,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333,837)</u>
<b>General Revenues</b>					
Property Taxes					\$ 76,598
State Grants					214,179
Fines and Forfeits					160
Interest					49,073
Other Revenues					8,808
Total General Revenues					<u>\$ 348,818</u>
<b>Change in Net Assets</b>					
<b>Net Assets-Beginning</b>					
1,877,146					
<b>Net Assets-Ending</b>					
<u>\$ 1,892,127</u>					

*\*The notes to the financial statements are an integral part of these statements.*

	General Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 420,623
Investments	986,113
Taxes Receivable	4,501
Receivables, Net	25,099
Due from Other Governmental Units	28,479
Due from Fiduciary Funds	1,487
Prepaid Expenditures	1,340
Total Assets	<u>\$ 1,467,642</u>
<b>Liabilities and Fund Balance</b>	
Liabilities	
Accounts Payable	\$ 800
Other Current Liabilities	731
Total Liabilities	<u>\$ 1,531</u>
<b>Fund Balance</b>	
Unreserved:	
Undesignated	\$ 1,464,771
Designated (Prepaid Expenses)	1,340
Total Fund Equity	<u>\$ 1,466,111</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
* Capital assets used in governmental activities are not financial resources and are not reported in the funds	426,016
Net Assets of Governmental Activities	<u>\$ 1,892,127</u>

*\*The notes to the financial statements are an integral part of these statements.*

**BAINBRIDGE TOWNSHIP****GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
March 31, 2009**

	General <u>Fund</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>		
Taxes	\$ 76,598	
Licenses and Permits	30,610	
State Grants	214,179	
Charges for Services	17,266	
Fines and Forfeits	160	
Interest	49,073	
Other Revenues	8,808	
Total Revenues	<u>\$ 396,694</u>	
<b>Expenditures</b>		
Current		
General Government	\$ 195,883	
Public Safety	135,828	
Public Works	15,352	
Recreation and Culture	4,000	
Community & Economic Development	16,098	
Capital Outlay	19,814	
Total Expenditures	<u>\$ 386,975</u>	
<b>Excess of Revenues Over Expenditures</b>	<b>\$ 9,719</b>	<b>\$ 9,719</b>
Fund Balance-April 1, 2008	1,456,392	
Fund Balance-March 31, 2009	<u>\$ 1,466,111</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- \* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

	5,262
Change in Net Assets of Governmental Activities	<u>\$ 14,981</u>

*\*The notes to the financial statements are an integral part of these statements.*

	Trust & Agency <u>Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,487
Total Assets	<u>\$ 1,487</u>
<b>Liabilities</b>	
Due to Other Governmental Funds:	
General Fund	\$ 1,487
Total Liabilities	<u>\$ 1,487</u>

*\*The notes to the financial statements are an integral part of these statements.*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Bainbridge Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

**Blended Component Units**—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2009.

**Discretely Presented Component Units**—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2009.

**Jointly Governed Organization**—The Township has no jointly governed organizations.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, Concluded**

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund 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.

**C. 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. 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.

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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

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

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

**Property Taxes**-The Township's property taxes attach as an enforceable lien on December 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The Township's 2008 ad valorem tax is levied and collectible on December 1, 2008 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2008 taxable valuation of the Township totaled \$86.1 million, on which ad valorem taxes levied which consisted of .7519 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable—current or as tax revenue.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****D. Assets, Liabilities, and Net Assets or Equity, Concluded**

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regard to vacation or sick days.

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.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1<sup>st</sup> and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information for each fund and then by function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There was one amendment during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. As of March 31, 2009, the Township did not have any encumbrances.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township did not incur any expenditures that were in excess of amounts appropriated.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

**NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED**

	Governmental <u>Activities</u>	Total Primary <u>Government</u>	Fiduciary <u>Funds</u>
Cash and Cash Equivalents	\$ 420,623	\$ 420,623	\$ 1,487
Certificates of deposit	986,113	986,113	-
Total	<u>\$ 1,406,736</u>	<u>\$ 1,406,736</u>	<u>\$ 1,487</u>

The breakdown between deposits and investments is as follows:

	Primary <u>Government</u>	Fiduciary <u>Funds</u>
Bank Deposits (checking and savings accounts, C/D's)	\$ 420,523	\$ 1,487
Certificates of Deposit > 90 days	986,113	-
Petty Cash and Cash on Hand	100	-
	<u>\$ 1,406,736</u>	<u>\$ 1,487</u>

**Custodial Credit Risk-Deposits:**

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2009, \$581,806 of the Township's bank balance, including certificates of deposit, of \$1,433,221 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**Investments:**

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
	<u>Fair Value</u>	<u>Current Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10</u>
Certificates of Deposits	<u>\$ 986,113</u>	<u>\$ 986,113</u>	<u>\$ 986,113</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**

**Credit Risk:**

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2009, the Township had no such investments.

**Concentration of Credit Risk:**

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2009, the Township had no such investments.

**Custodial Credit Risk-Investments:**

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2009, the Township had no such investments.

**Foreign Currency Risk:**

The Township is not authorized to invest in investments which have this type of risk.

**NOTE 4. RECEIVABLES AND PAYABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Total
Taxes Receivable	\$ 4,501	\$ 4,501
Accounts	32,099	32,099
Less: Allowance for Uncollectible	(7,000)	(7,000)
Due from Other Governmental Units	28,479	28,479
Net Receivables	<u>\$ 29,600</u>	<u>\$ 29,600</u>

**NOTE 4. RECEIVABLES AND PAYABLES, CONCLUDED**

Payables as of year-end for the Township’s individual major and fiduciary funds, in the aggregate, are as follows:

	<u>General Fund</u>	<u>Total</u>
Payables:		
Trade	\$ 800	\$ 800

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 1,300	\$ -	\$ -	\$ 1,300
Capital assets being depreciated				
Land improvements	\$ 35,350	\$ -	\$ -	\$ 35,350
Building and building improvements	396,184	19,814	-	415,998
Equipment	29,434	-	-	29,434
Subtotal	\$ 460,968	\$ 19,814	\$ -	\$ 480,782
Less: Accumulated Depreciation	(41,514)	(14,552)	-	(56,066)
Net Capital Assets Being Depreciated	\$ 419,454	\$ 5,262	\$ -	\$ 424,716
<b>Governmental activities total capital assets-net of depreciation</b>	<b>\$ 420,754</b>	<b>\$ 5,262</b>	<b>\$ -</b>	<b>\$ 426,016</b>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

There were no current year transfers.

**NOTE 7. DESIGNATED FUND BALANCE**

As of March 31, 2009, the Township had designated \$1,340 for prepaid expenditures.

**NOTE 8. 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 carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9. LEASES**

The Township did not have any operating or capital leases during the year.

**NOTE 10. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES**

The Township charges fees for the inspection of building electrical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period
	4/1/2008
	3/31/2009
Revenues	\$ 30,610
Expenditures	<u>33,852</u>
Excess of Revenues over Expenditures	<u>\$ (3,242)</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

**BAINBRIDGE TOWNSHIP**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**MARCH 31, 2009**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance	\$ 1,456,392	\$ 1,456,392	\$ 1,456,392	
<b>Available for Appropriation (Inflows)</b>				
Taxes	\$ 71,475	\$ 71,475	\$ 76,598	\$ 5,123
Licenses and Permits	33,200	33,200	30,610	(2,590)
State Grants	215,482	215,482	214,179	(1,303)
Charges for Services	22,100	22,100	17,266	(4,834)
Fines and Forfeits	300	300	160	(140)
Interest	48,500	48,500	49,073	573
Other Revenues	4,450	4,450	8,808	4,358
Special Assessment Revenue	1,500	1,500	-	(1,500)
Transfers	30,000	30,000	-	(30,000)
Amounts Available for Appropriation	<u>\$ 427,007</u>	<u>\$ 427,007</u>	<u>\$ 396,694</u>	
<b>Charges to Appropriations(Outflows)</b>				
General Government				
Legislative	\$ 46,200	\$ 50,008	\$ 48,488	1,520
Supervisor	15,141	15,141	14,770	371
Elections	10,716	11,824	11,823	1
Assessor	35,200	35,170	31,708	3,462
Clerk	20,637	20,607	19,900	707
Board of Review	2,210	2,210	1,323	887
Treasurer	25,033	26,378	24,838	1,540
Hall and Grounds	37,165	38,944	36,278	2,666
Cemetery	9,700	7,720	6,755	965
Public Safety				
Fire Protection	80,700	80,700	76,856	3,844
Building Inspection	30,775	35,775	33,852	1,923
Ordinance Enforcement	7,760	7,760	4,720	3,040
Ambulance	17,000	21,000	20,400	600
Public Works				
Roads	29,600	13,600	9,347	4,253
Drains	9,000	9,000	6,005	2,995
Other Public Works	2,000	2,000	-	2,000
Recreation & Cultural				
Library	4,000	4,000	4,000	-
Community & Economic Development				
Planning Commission	6,855	10,167	9,845	322
Zoning	810	-	-	-
Board of Appeals	1,505	-	-	-
Special Project	6,250	6,253	6,253	-
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>19,814</u>	5,186
Total Charges to Appropriations	<u>\$ 423,257</u>	<u>\$ 423,257</u>	<u>\$ 386,975</u>	
End of Year Fund Balance	<u>\$ 1,460,142</u>	<u>\$ 1,460,142</u>	<u>\$ 1,466,111</u>	



To the Board of Trustees  
Bainbridge Township

In planning and performing our audit of the financial statements of the governmental activities of Bainbridge Township as of and for the year ended March 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Bainbridge Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency, is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency.

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Trustees remain involved in the financial affairs of the Township to provide oversight and independent review functions, and continue to look at ways to enhance controls with the existing staff.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses in internal control:

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA



During the course of our engagement, we have been asked to prepare drafts of the Governmental Unit's financial statements in accordance with generally accepted accounting principles. The employees and management responsible for reviewing those financial statements lack the skill and knowledge to properly apply generally accepted accounting principles.

In addition, we have been asked to make material adjusting entries affecting Bainbridge Township's financial statements.

This communication is intended solely for the information and use of management, Bainbridge Township's Board and others within the organization and is not intended to be, and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Schaffer &amp; Layher".

Schaffer & Layher  
July 14, 2009

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA