RECEIVED
DEPT. OF TREASURY
OCT - 4 2005
LOCAL AUDIT & FINANCE DIV.

Audited Financial Statements

Township of Kimball
St. Clair County, Michigan

Year ended March 31, 2005
with Report of Independent Auditors

Township Officials

Supervisor	Thomas L. Portis
Clerk	Joyce Shaffer
Treasurer	Brian E. Anglebrandt
Trustees	Becky J. Wrubel Edmond Kilroy Paula S. (Sue) Halifax Debbie Cooley

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☑ Township ☐ Village ☐ Other	Kimball Township	St. Clair

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/05	9/23/05	9-30-05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☑ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☑ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✔	
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
Andrews Hooper & Pavlik PLC.			
Street Address	City	State	ZIP
3201 University Drive	Auburn Hills	MI	48326
Accountant Signature Roger Adcock CPA		Date 9-30-05	

Township of Kimball

CONTENTS

Independent Auditors' Report 1

Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 2
Statement of Activities 3

Fund Financial Statements:
Governmental Funds:
Balance Sheet 4
Reconciliation of Fund Balances to the Statement of Net Assets 5
Statement of Revenues, Expenditures and Changes in Fund Balances 6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 7

Proprietary Funds:
Statement of Net Assets 8
Statement of Revenues, Expenses and Changes in Net Assets 9
Statement of Cash Flows 10

Fiduciary Funds:
Statement of Fiduciary Net Assets 11

Notes to the Financial Statements 12-24

Required Supplemental Information
Budgetary Comparison Schedule - General and Special Revenue Fund Types 25-26

ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Independent Auditors' Report

To the Township Officials
Township of Kimball
Kimball, Michigan 48074

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Township of Kimball, as of and for the year ended March 31, 2005, which collectively comprise the Townships' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Township of Kimball, as of March 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related statements, as of March 31, 2005.

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

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. 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.

Andrews Hooper & Pavlik P.L.C.

Auburn Hills, Michigan
September 23, 2005

3201 University Drive, Suite 350 • Auburn Hills, Michigan 48326 • ph 248.340.6050 fx 248.340.6104 • www.ahpplc.com

Township of Kimball
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and equivalents	$ 1,593,501	$ 3,531,843	$ 5,125,344
Accounts receivable	51,644	164,499	216,143
Special assessments receivable		4,298,760	4,298,760
Prepaid expenses	24,602		24,602
Unamortized discount on bonds - net		65,656	65,656
Due from other funds	58,801		58,801
Total current assets	1,728,548	8,060,758	9,789,306
Capital assets			
Property, plant and equipment	1,830,226	13,986,893	15,817,119
Less accumulated depreciation	(1,630,738)	(3,576,123)	(5,206,861)
Net capital assets	199,488	10,410,770	10,610,258
Total assets	1,928,036	18,471,528	20,399,564
Liabilities			
Current liabilities			
Accounts payable	17,806	245,376	263,182
Accrued expenses	24,821	7,076	31,897
Accrued interest		74,276	74,276
Due to other funds	13,063	15,118	28,181
Current portion of long-term liabilities	32,149	245,000	277,149
Total current liabilities	87,839	586,846	674,685
Long-term liabilities			
Bonds payable		3,980,000	3,980,000
Compensated absences	9,698		9,698
Total long-term liabilities	9,698	3,980,000	3,989,698
Total liabilities	97,537	4,566,846	4,664,383
Net assets			
Invested in capital assets, net of related debt	167,339	6,185,770	6,353,109
Unrestricted	1,663,160	7,718,912	9,382,072
Total net assets	$ 1,830,499	$ 13,904,682	$ 15,735,181

See accompanying notes

Township of Kimball
Statement of Activities
Year ended March 31, 2005

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions and programs					
Governmental activities					
Legislative	$ 69,300		$ (69,300)		$ (69,300)
General government	306,192	$ 127,406	(178,786)		(178,786)
Public safety	493,740	192,276	(301,464)		(301,464)
Public works	370,386		(370,386)		(370,386)
Culture and recreation	46,773		(46,773)		(46,773)
Capital outlay	23,978		(23,978)		(23,978)
Interest	1,795		(1,795)		(1,795)
Total governmental activities	1,312,164	319,682	(992,482)	$ -	(992,482)
Business-type activities					
Water and sewer	1,451,896	1,181,792		(270,104)	(270,104)
Total primary government	$ 2,764,060	$ 1,501,474	(992,482)	(270,104)	(1,262,586)
General revenues					
Property taxes			267,981		267,981
State shared revenues			581,812		581,812
Unrestricted investment earnings			22,962	200,841	223,803
Other			87,454	72,011	159,465
Total general revenues, special item and transfers			960,209	272,852	1,233,061
Change in net assets			(32,273)	2,748	(29,525)
Net assets, beginning of year			1,862,772	13,901,934	15,764,706
Net assets, end of year			$ 1,830,499	$ 13,904,682	$ 15,735,181

See accompanying notes

Township of Kimball
Balance Sheet
Governmental Funds
March 31, 2005

	General Fund	Special Revenue Funds		Total Governmental Funds
		Liquor Enforcement	Perpetual Care	
Assets				
Cash and cash equivalents	$ 1,560,127	$ 12,149	$ 21,225	$ 1,593,501
Accounts receivable	51,644			51,644
Due from other funds	58,376		425	58,801
Prepaid expenses	24,602			24,602
Total assets	$ 1,694,749	$ 12,149	$ 21,650	$ 1,728,548
Liabilities and fund balances				
Liabilities				
Accounts payable	$ 17,806			$ 17,806
Accrued expenses	24,541	$ 280		24,821
Due to other funds		13,063		13,063
Total liabilities	42,347	13,343	$ -	55,690
Fund balances				
Reserved - liquor enforcement		(1,194)		(1,194)
Reserved - cemetery care			21,650	21,650
Unreserved and undesignated	1,652,402			1,652,402
Total fund balances	1,652,402	(1,194)	21,650	1,672,858
Total liabilities and fund balances	$ 1,694,749	$ 12,149	$ 21,650	$ 1,728,548

See accompanying notes

Township of Kimball
Reconciliation of Fund Balances to the Statement of Net Assets
Governmental Funds
Year ended March 31, 2005

Fund Balance - Total Governmental Funds	$ 1,672,858
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	199,488
Long-term liabilities are not due and payable in the current period and are not reported in the funds	
Capital lease obligation	(32,149)
Compensated absenses	(9,698)
	(41,847)
Net Assets - Governmental Activities	$ 1,830,499

See accompanying notes

Township of Kimball
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended March 31, 2005

	General	Special Revenue		Total Governmental Funds
		Liquor Enforcement	Perpetual Care	
Revenues				
Property taxes	$ 267,981			$ 267,981
Licenses and permits	192,276			192,276
Intergovernmental	578,088	$ 3,724		581,812
Charges for services	126,906			126,906
Perpetual care			$ 500	500
Interest	22,835	10	117	22,962
Other	87,454			87,454
Total revenues	1,275,540	3,734	617	1,279,891
Expenditures				
Current				
Legislative	66,713			66,713
General government	300,381			300,381
Public safety	499,618	4,263		503,881
Public works	364,763			364,763
Culture and recreation	45,318			45,318
Capital outlay	138,092			138,092
Total expenditures	1,414,885	4,263	-	1,419,148
Excess of revenues over expenditures and net change in fund balances	(139,345)	(529)	617	(139,257)
Fund balance, beginning of year	1,791,747	(665)	21,033	1,812,115
Fund balance, end of year	$ 1,652,402	$ (1,194)	$ 21,650	$ 1,672,858

See accompanying notes

Township of Kimball
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds	$ (139,257)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Capital asset purchases capitalized	114114
Depreciation expense	(36,692)
	77,422
Governmental funds report debt service principal and interest as an expenditure in the current period. In the statement of activities, these amounts are not expensed.	
Principal payment on capital lease	30,449
Interest payment on capital lease	3,495
	33,944
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Increase in compensated absences	(2,587)
Increase in accrued interest on bonds, installment purchase obligations, and capital leases is an expenditure in the statement of activities, but not in the governmental funds.	(1,795)
Net Change in Net Assets of Governmental Activities	$ (32,273)

See accompanying notes

Township of Kimball
Statement of Net Assets
Proprietary Funds
March 31, 2005

	Business Type Activities Enterprise Funds	
		Water & Sewer
Assets		
Current assets		
Cash and equivalents	$	3,531,843
Accounts receivable		164,499
Special assessments receivable		4,298,760
Unamortized discount on bonds - net		65,656
Total current assets		8,060,758
Capital assets		
Property, plant and equipment		13,986,893
Less accumulated depreciation		(3,576,123)
Net capital assets		10,410,770
Total assets		18,471,528
Liabilities		
Current liabilities		
Accounts payable		245,376
Accrued expenses		7,076
Accrued interest		74,276
Due to other funds		15,118
Current portion of long-term liabilities		245,000
Total current liabilities		586,846
Long-term liabilities		
Bonds payable		3,980,000
Total long-term liabilities		3,980,000
Total liabilities		4,566,846
Net Assets		
Invested in capital assets, net of related debt		6,185,770
Unrestricted		7,718,912
Total net assets	$	13,904,682

See accompanying notes

Township of Kimball
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year ended March 31, 2005

	Business Type Activities Enterprise Funds	
		Water & Sewer
Operating revenues		
Service charges	$	1,181,792
Penalties		33,962
Miscellaneous		38,049
Total operating revenues		1,253,803
Operating expenses		
Salaries		176,619
Benefits		56,814
Operating supplies		36,038
Water purchases		419,436
Sewer service cost		284,052
Professional fees		12,598
Contracted services		6,090
Insurance		4,244
Printing and publishing		1,152
Utilities		10,097
Gasoline and oil		6,094
Repair and maintenance		32,143
Depreciation and amortization		201,815
Settlement		8,228
Miscellaneous		7,841
Total operating expenses		1,263,261
Operating income (loss)		(9,458)
Non-operating revenues and (expenses)		
Interest income		200,841
Interest expense		(188,635)
Total non-operating revenue and (expenses)		12,206
Change in net assets		2,748
Net assets, beginning		13,901,934
Net assets, ending	$	13,904,682

See accompanying notes

Township of Kimball
Statement of Cash Flows
Proprietary Funds
Year ended March 31, 2005

	Business Type Activities Enterprise Funds	
		Water & Sewer
Cash flows from operating activities		
Cash received from users	$	1,758,044
Cash paid to employees and vendors		(1,261,840)
Cash received from other funds		1,827,969
Cash paid to other funds		(1,845,623)
Net cash flow from operating activities		478,550
Cash flows used by capital and related financing activities		
Acquisition/construction of capital assets		(2,565,803)
Payments on long-term debt		(175,000)
Interest paid on long-term debt		(188,635)
Net cash flows used by capital and related financing activities		(2,929,438)
Cash flows from investing activities		
Interest on investments		200,841
Net cash flows from investing activities		200,841
Decrease in cash and cash equivalents		(2,250,047)
Cash and cash equivalents, beginning of year		5,781,888
Cash and cash equivalents, end of year	$	3,531,841
Classified as:		
Current assets	$	3,531,841
Reconciliation of operating loss to net cash flows from operating activities		
Operating income (loss)	$	(9,458)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation and amortization		201,815
Decrease in accounts receivable		20,339
Decrease in special assessments receivable		613,660
Decrease in amounts due from other funds		28,751
Decrease in accounts payable		(200,394)
Decrease in accrued expenses		(4,006)
Decrease in amounts due to other funds		(172,157)
Net cash flow from operating activities	$	478,550

See accompanying notes

Township of Kimball
Statement of Fiduciary Net Assets
March 31, 2005

	Fiduciary Fund Types		Total
	Trust and Agency	Current Tax	Fiduciary Funds
Assets			
Cash and cash equivalents	$ 57,108	$ 911	$ 58,019
Total assets	57,108	911	58,019
Liabilities			
Due to other funds	29,709	911	30,620
Due to others	27,399		27,399
Total liabilities	57,108	911	58,019
Net assets			
Held in trust for various purposes	$ -	$ -	$ -

See accompanying notes

1. Summary of significant accounting policies

The Township of Kimball (the Township) complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) Opinions issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Reporting Entity

The Township of Kimball, Michigan, established in 1855, is a public corporation created under the constitution and statutes of the State of Michigan. Located in St. Clair County, the Township of Kimball covers an area of approximately 36 square miles and is one of 23 townships in St. Clair County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board of Officials, which consists of a Supervisor, Clerk, Treasurer and four Trustees, and provides services to its more than 8,600 residents in many areas including fire protection, water, sewer, streets, parks and recreation. In evaluating how to define the Township for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity.*

Based upon the application of these criteria, the basic financial statements of the Township contain all the funds controlled by the Township's Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Township, the primary government, as a whole. They include all funds of the reporting entity except for fiduciary funds, which are excluded from government-wide financial statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

1. Summary of significant accounting policies (continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) 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 revenue.

In creating the government-wide financial statements the Township has eliminated inter-fund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Fund Financial Statements

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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following major governmental funds:

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following funds are included:

- Liquor Enforcement

The Liquor Enforcement Fund is a special revenue fund that is used to record the liquor enforcement activity of the Township.

1. Summary of significant accounting policies (continued)

- Perpetual Care

The Perpetual Care Fund is a special revenue fund that is used to record the activity of the Townships' cemetery.

The Township reports the following major proprietary fund:

Proprietary Fund

Water and Sewer Fund - The Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following fund is included:

- Water and Sewer

Additionally, the Township reports the following fund type:

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The following funds are included:

- Current Tax Collection

The Current Tax Collection Fund is used to account for taxes collected as an agent for other governmental units.

- Trust and Agency

The Trust and Agency Fund is used to account for amounts collected as an agent and temporally held in trust for various individuals in the normal course of Township business.

Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and 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 when susceptible to accrual (i.e. when it is, "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 revenue to be available if it is collected within 60 days of the end of

1. Summary of significant accounting policies (continued)

the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants, 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.

Policies and Practices

Michigan Compiled Laws, Section 129.91 authorizes the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits and investment policy are in accordance with statutory authority.

Assets, Liabilities and Fund Equity

Deposits 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 date of acquisition.

Inter-fund receivables/payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Accounts receivable – The Township considers all account receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Capital Assets – Capital Assets which include property, plant, equipment and infrastructure assets (water and sewer lines, tennis courts and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than $5,000 and an estimated useful life of more than one year. All property and equipment are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated.

1. Summary of significant accounting policies (continued)

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

Buildings and improvements	20-40 years
Furniture, equipment and software	3-5 years
Vehicles	5 years
Land improvements	15 years
Water and sewer lines	50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt (reported at face value) and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets.

Equity Classifications – In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

- Unrestricted net assets – consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

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

Compensated Absences

The Township allows employees to accumulate vacation or sick time from year to year within limits. The liability for these compensated absences is recorded as long term debt in the government wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

2. Accounting Changes

On April 1, 2004, the Township adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* GASB Statement No. 34 establishes the basic financial statements and required supplementary information for the Township. The information consists of:

- Management's discussion and analysis
- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplemental information

The Township has elected to omit the management's discussion and analysis for the year ended March 31, 2005 that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The effect of the adoption of GASB Statement No. 34 was to increase net assets by $157,641.

3. Stewardship, Compliance and Accountability

Budget requirements, accounting and reporting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line-item basis. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted at the Township's annual board meeting to obtain taxpayer comments.

3. Prior to April 1, the budget is legally adopted by a Township Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the budgetary comparison schedule - general and special revenue fund types. PA 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

3. Stewardship, Compliance and Accountability (continued)

4. The Supervisor is authorized to transfer budgeted amounts between line items within an activity. However, any revisions that alter the total expenditures of any activity must be approved by the Township Board.

5. The budget as presented has been amended. Supplemental appropriations were made during the year with the last one approved prior to March 31.

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

Excess of Expenditures over Appropriations in Budgeted Funds

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the line-item level.

During the year ended March 31, 2005, the Township incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General government	$ 47,500	$ 48,115	$ 615
Public safety	4,073	4,263	190
Public works	35,000	36,161	1,161

During the year ended March 31, 2005, the Township did not prepare a budget for the Perpetual Care special revenue fund.

Deficit Fund Balance

A deficit fund balance of $1,194 exists in the Liquor Enforcement Fund. The deficit results from expenditures over revenues incurred in current and prior years. It is expected that positive operations during the next year will provide a positive fund balance.

4. Cash and Investments

Deposits and investments

Cash deposits and cash investments are carried at cost. Deposits of the Township are in the name of the Township Treasurer at three banks.

At March 31, 2005, the book value of the Township's deposits, consisting of interest bearing checking accounts, money market funds and a certificate of deposit was $5,183,362. The bank value was $5,129,706. Of the bank balance, $300,000 was covered by Federal Depository Insurance and $4,829,706 was uninsured.

4. Cash and Investments (continued)

Deposits and investments are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.

2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

3. Uncollateralized.

	Category			Total
	1	2	3	Value
Cash and equivalents	$ 300,000	$ -	$4,829,706	$ 5,129,706

5. Inter-fund Receivables and Payables

The amount of the inter-fund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
Water & Sewer	Trust & Agency	$ 22,969
General	Trust & Agency	6,740
Water & Sewer	Current Tax	201
General	Current Tax	710
General	Water & Sewer	38,288
General	Liquor Enforcement	13,063
Perpetual Care	General	425
	Total	$ 82,396

6. Property Taxes

Property taxes are levied and become a lien on each December 1 on the taxable assessed value listed as of the prior December 31 and are due without penalty on or before February 28 for all real and business personal property located in the Township. The taxable value of the certified roll on December 31, 2004, upon which the levy for the 2005 fiscal year was based, was $205,779,776. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The tax rates assessed for the year ended March 31, 2005 to finance operations and debt was .7899 per $1,000 valuation.

7. Capital Assets and Depreciation

Capital asset activity of the Township's governmental activities for the year ended March 31, 2005 was as follows:

	April 1, 2004	Additions	Disposals	March 31, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 46,500	$ 3,000		$ 49,500
Capital assets being depreciated:				
Land improvements		38,586		38,586
Buildings and improvements	396,727		$ 83,707	313,020
Furniture, equipment and software	820,219	55,055	583,221	292,053
Vehicles	1,145,589	17,473	25,995	1,137,067
Subtotal	2,362,535	111,114	692,923	1,780,726
Less accumulated depreciation:				
Land improvements		1,455		1,455
Buildings and improvements	395,410	310	83,707	312,013
Furniture, equipment and software	774,796	19,535	583,221	211,110
Vehicles	1,116,763	15,392	25,995	1,106,160
Subtotal	2,286,969	36,692	692,923	1,630,738
Net capital assets being depreciated	75,566	74,422	-	149,988
Governmental activities capital assets – net	$ 122,066	$ 77,422	$ -	$ 199,488
Business type activities:				
Capital assets not being depreciated:				
Land	7,000			7,000
Capital assets being depreciated:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	9,920,467			9,920,467
Water and sewer lines under construction	1,446,544	2,565,804		4,012,348
Subtotal	11,414,089	2,565,804		13,979,893
Less accumulated depreciation:				
Buildings and improvements	47,078			47,078
Water and sewer lines in service	3,331,322	197,723		3,529,045
Water and sewer lines under construction				
Subtotal	3,378,400	197,723		3,576,123
Net capital assets being depreciated	8,035,689	2,368,081	-	10,403,770
Business type activities capital assets – net	$ 8,042,689	$ 2,368,081	$ -	$ 10,410,770

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

Governmental activities:	
Governmental activities	$ 36,693
Business type activities	197,723
Total all activities	$ 234,416

8. Long Term Debt

Governmental Activities

The following is a summary of the governmental long term debt outstanding as of March 31, 2005:

On September 3, 1998 the Township entered into a lease with a leasing company to lease certain fire equipment for a period of seven years. The lease requires annual payments of $33,944, including interest at 5.3566% through September 2005. At the end of the lease term the Township will receive title to the equipment. The obligation has been treated as a capital lease in the financial statements.

Business type activities

At March 31, 2005, outstanding debt consisted of the following:

Sewer and Water Special Assessment Bonds dated March 23, 1989 to partially fund the construction of water and sewer lines. Due in installments May 1, 1990 through May 1, 2008 with interest at 6.7% to 7.5%.	$ 60,000
Water Supply System Limited Tax General Obligation Bonds dated February 1, 1990 issued by St. Clair County to partially fund the construction of water lines. The Township has entered into a contract with the County, pursuant to PA 185, 1987, to pay the County amounts sufficient to cover principal and interest payments on these bonds as they become due. Due in installments May 1, 1991 through May 1, 2009 with interest at 5.9% to 7.1%.	275,000
Water Supply System Special Assessment Bonds dated August 1, 1991 to partially fund the construction of water lines. Due in annual installments October 1, 1993 through October 1, 2011 with interest at 5.2% to 7.10%.	205,000
Water Supply System Special Assessment Improvement Bonds Series B (Limited General Obligation) dated April 22, 1999 to partially fund the construction of water lines. Due in annual installments December 1, 2000 to December 1, 2018 with interest at 4.0% to 6.0%.	280,000
Sewer Disposal System Special Assessment Improvement Bonds Series A (Limited General Obligation) dated April 22, 1999 to partially fund the construction of sewer lines. Due in annual installments December 1, 1999 to December 1, 2018 with interest at 4.0% to 5.9%.	725,000
Sewer Disposal System Special Assessment Improvement Bonds dated October 1, 2003 to partially fund the construction of sewer lines. Due in annual installments May 1, 2004 to November 1, 2023 with interest at 2.5% to 4.625%.	2,680,000
Total long-term debt, business type activities	$ 4,225,000

8. Long Term Debt (continued)

The following is a summary of the changes in long term debt for the year ended March 31, 2005:

Governmental Activities:

	Balance April 1, 2004	Increases	Decreases	Balance March 31, 2005
Compensated absences	$ 7,111	$ 2,587		$ 9,698
Fire equipment capital lease	62,598		$ 30,449	32,149
Total	$ 69,709	$ 2,587	$ 30,449	41,847
Less current portion				32,149
Total long term debt, net of current portion				$ 9,698

Business-type Activities:

	Balance April 1, 2004	Increases	Decreases	Balance March 31, 2005
Sewer and Water Special Assessment Bonds dated March 23, 1989	$ 75,000	$	$ 15,000	$ 60,000
Water Supply System Limited Tax General Obligation Bonds Dated February 1, 1990	330,000		55,000	275,000
Water Supply System Special Assessment Bonds dated August 1, 1991	240,000		35,000	205,000
Water Supply System Special Assessment Improvement Bonds Series B dated April 22, 1999	300,000		20,000	280,000
Sewer Disposal System Special Assessment Improvement Bonds Dated October 1, 2003	2,680,000		-	2,680,000
Sewer Disposal System Special Assessment Improvement Bonds Series A dated April 22, 1999	775,000		50,000	725,000
	$ 4,400,000	$ -	$ 175,000	4,225,000
Less current portion				245,000
Total long term debt, net of current portion				$ 3,980,000

Interest expense for the year ended March 31, 2005 was $191,139 from all activities.

8. Long Term Debt (continued)

Debt service requirements

Governmental Activities:

The annual requirements to amortize the fire equipment capital lease outstanding at March 31, 2005, including interest payments of $1,795 are as follows:

Fiscal year ending March 31, 2005	Fire equipment capital lease
2006	$ 33,944
Less: Interest	1,795
	$ 32,149

Business-Type Activities

Debt service requirements - The annual principal and interest requirements through maturity for all debts outstanding as of March 31, 2005:

Fiscal Year Ending	Principal	Interest	Total
2006	$ 245,000	$ 182,442	$ 427,442
2007	320,000	170,424	490,424
2008	320,000	156,424	476,424
2009	310,000	142,292	452,292
2010	295,000	128,961	423,961
2011	240,000	117,689	357,689
2012	240,000	107,936	347,936
2013	215,000	97,751	312,751
2014	215,000	89,090	304,090
2015	220,000	80,359	300,359
2016	220,000	71,171	291,171
2017	220,000	61,739	281,739
2018	220,000	52,161	272,161
2019	220,000	42,411	262,411
2020	145,000	32,516	177,516
2021	145,000	26,281	171,281
2022	145,000	19,901	164,901
2023	145,000	13,376	158,376
2024	145,000	6,706	151,706
	$ 4,225,000	$ 1,599,630	$ 5,824,630

9. Retirement Plan

Substantially all of the full-time employees of the Township are covered by a defined contribution retirement plan. The Township makes contributions to the plan. For the year ended March 31, 2005 the Township contributed $33,035 to the plan.

10. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

11. Contingencies

The Township is involved in various legal actions arising in the normal course of business. In the opinion of the Township Board, such matters will not have a material effect upon the financial position of the Township.

Required Supplemental Information

Township of Kimball
Required Supplemental Information
Budgetary Comparison Schedule - General and Special Revenue Fund Types
Year ended March 31, 2005

	General Fund				Liquor Fund				Perpetual Care Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues												
Property taxes	$259,100	$259,100	$ 267,981	$ 8,881								
Licenses and permits	215,550	215,550	192,276	(23,274)								
Intergovernmental	545,000	545,000	578,088	33,088	$ 4,073	$ 4,073	$ 3,724	$ 349				
Charges for services	163,500	163,500	126,906	(36,594)								
Interest	25,000	25,000	22,835	(2,165)			10	(10)			$ 500	$ (500)
Other	81,100	81,100	87,454	6,354							117	(117)
Total revenues	1,289,250	1,289,250	1,275,540	(13,710)	4,073	4,073	3,734	339	$ -	$ -	617	(617)
Expenditures												
Legislative												
Township board	87,075	87,075	66,713	(20,362)								
General government												
Supervisor	28,850	28,850	25,019	(3,831)								
Elections	15,750	19,950	18,791	(1,159)								
Assessor	42,500	47,500	48,115	615								
Clerk	93,050	93,050	83,969	(9,081)								
Board of review	4,500	4,500	4,257	(243)								
Treasurer	55,600	78,600	76,007	(2,593)								
Administration building	15,200	15,200	15,192	(8)								
Kleckner Hall	10,475	10,475	8,020	(2,455)								
Smiths' Creek building	4,775	6,775	6,217	(558)								
Cemetery	24,900	24,900	14,794	(10,106)								
Public safety												
Ordinance enforcer	18,100	19,100	18,374	(726)								
Fire protection	235,850	245,850	227,619	(18,231)								
Protective inspection	208,850	218,850	202,540	(16,310)								
Planning and zoning	37,750	38,200	17,141	(21,059)								
Liquor enforcement					4,073	4,073	4,263	190				

See accompanying independent auditors report

Township of Kimball
Required Supplemental Information
Budgetary Comparison Schedule - General and Special Revenue Fund Types
Year ended March 31, 2005

	General Fund				Liquor Fund				Perpetual Care Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Expenditures (continued)												
Public works												
Department of public works	61,050	61,050	58,042	(3,008)								
Drains	17,500	17,500	11,843	(5,657)								
Highways and streets	280,000	280,000	258,717	(21,283)								
Street lighting	35,000	35,000	36,161	1,161								
Culture and recreation												
Parks and recreation	47,600	47,600	41,196	(6,404)								
Library	3,700	4,700	4,122	(578)								
Capital outlay	206,050	206,050	138,092	(67,958)								
Debt service												
Principal and interest	34,000	34,000	33,944	(56)								
Total expenditures	1,568,125	1,624,775	1,414,885	(209,890)	4,073	4,073	4,263	190	-	-	-	-
Excess of revenues over expenditures	(278,875)	(335,525)	(139,345)	196,180			(529)	(529)			617	617
Fund balance / (deficit), beginning of year	1,791,747	1,791,747	1,791,747		(665)	(665)	(665)		21,033	21,033	21,033	
Fund balance / (deficit), end of year	$ 1,512,872	$ 1,456,222	$ 1,652,402	$ 196,180	$ (665)	$ (665)	$ (1,194)	$ (529)	$ 21,033	$ 21,033	$ 21,650	$ 617

See accompanying independent auditors report