

Charter Township of Kinross
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2010

Charter Township of Kinross

List of Elected Officials

| | |
|-------------------|-----------------|
| Supervisor: | Lawrence Palma |
| Clerk: | Marvin Besteman |
| Treasurer: | Julie Munro |
| Trustee: | Edwin DeWitt |
| Trustee: | Brenda Case |
| Trustee: | Harvey O'Brien |
| Trustee: | David Kauer |

Charter Township of Kinross

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INDEPENDENT AUDITOR'S REPORT

August 13, 2010

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of and for the year ended March 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, as of March 31, 2010, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 13, 2010 on my consideration of the Charter Township of Kinross' internal controls over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, 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. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross' basic financial statements. The combining and nonmajor fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lake Michigan CPA Services, PLLC".

Ludington, Michigan
August 13, 2010

Charter Township of Kinross

Management's Discussion and Analysis

Using this Annual Report

This annual 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 a whole and present a long-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. (A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kinross Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Townships can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.)

The Township as a Whole

Net Assets

The Township's total net assets decreased \$425,653: decreasing from \$11,487,013 at year end 2009 to \$11,061,360 at year end 2010. As we look at the governmental activities separately from the business activities, we note that business activities decreased \$440,679 while governmental activities assets increased \$15,026. The decrease in business activity net assets was from depreciation.

Assets

The Township's total assets have decreased by 4.1% or \$487,713, which is due mainly to the depreciation of capital assets. Governmental assets remained stable, with a slight decrease of .2% or \$8,800 during the fiscal year. In the business-type activities, total assets decreased by \$478,913, which included a downward change of \$272,139 in capital assets. The balance of the decrease, \$206,774, was primarily from a use of cash in the Public Works Fund for capital improvements.

Total Common Cash

The Township's total cash has decreased by 6.3%, or \$152,387, from March 31, 2009 to March 31, 2010. The use of cash for capital improvements in the Public Works Department, combined with the loss of water and sewer revenue from a prison closure, was the primary reason for the decrease in total cash. Management feels that cash levels are still sufficient to meet Township needs for the immediate future.

Charter Township of Kinross

Management's Discussion and Analysis

Liabilities

The Township's total liabilities decreased by 12.5%, or \$62,060, compared to the previous fiscal year. No new debt was issued this fiscal year. The current long-term debt level is well below the legal maximum and leaves the Township well-positioned to address any future needs.

The table below shows the components of assets, liabilities, and net assets for the years ending March 31, 2010 and March 31, 2009.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| ASSETS | | | | | | |
| Current | \$ 1,645,338 | \$ 1,685,681 | \$ 1,216,552 | \$ 1,423,326 | \$ 2,861,890 | \$ 3,109,007 |
| Noncurrent | 2,350,467 | 2,318,924 | 6,281,490 | 6,553,629 | 8,631,957 | 8,872,553 |
| Total Assets | <u>\$ 3,995,805</u> | <u>\$ 4,004,605</u> | <u>\$ 7,498,042</u> | <u>\$ 7,976,955</u> | <u>\$ 11,493,847</u> | <u>\$ 11,981,560</u> |
| LIABILITIES | | | | | | |
| Current | \$ 67,344 | \$ 85,559 | \$ 133,114 | \$ 143,278 | \$ 200,458 | \$ 228,837 |
| Noncurrent | 47,981 | 53,592 | 184,048 | 212,118 | 232,029 | 265,710 |
| Total Liabilities | <u>\$ 115,325</u> | <u>\$ 139,151</u> | <u>\$ 317,162</u> | <u>\$ 355,396</u> | <u>\$ 432,487</u> | <u>\$ 494,547</u> |
| Net Assets | | | | | | |
| Invested in capital assets, net of related debt | \$ 2,337,574 | \$ 2,296,253 | \$ 6,138,895 | \$ 6,386,506 | \$ 8,476,469 | \$ 8,682,759 |
| Unrestricted | 1,542,906 | 1,569,201 | 1,041,985 | 1,235,053 | 2,584,891 | 2,804,254 |
| Total Net Assets | <u>\$ 3,880,480</u> | <u>\$ 3,865,454</u> | <u>\$ 7,180,880</u> | <u>\$ 7,621,559</u> | <u>\$ 11,061,360</u> | <u>\$ 11,487,013</u> |

Charter Township of Kinross

Management's Discussion and Analysis

Statement of Activities

The following table is a summary of the activities of the Township for the years ending March 31, 2010 and March 31, 2009.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 | March 31, 2010 | March 31, 2009 |
| Charges for services | \$ 1,729,284 | \$ 1,695,194 | \$ 2,133,609 | \$ 2,255,317 | \$ 3,862,893 | \$ 3,950,511 |
| Operating grants and contributions | 36,672 | 69,494 | 5,380 | 9,303 | 42,052 | 78,797 |
| Capital grants and contributions | 19,853 | - | - | - | 19,853 | - |
| General Revenues | | | | | | |
| Property taxes | 217,148 | 244,148 | - | - | 217,148 | 244,148 |
| Unrestricted grants and contributions | 430,747 | 488,008 | - | - | 430,747 | 488,008 |
| Gain/(loss) on sale of capital assets | 8,600 | (113,414) | 17,779 | - | 26,379 | (113,414) |
| Investment earnings and other revenues | 36,944 | 73,854 | 57,945 | 130,105 | 94,889 | 203,959 |
| Total Revenues | <u>2,479,248</u> | <u>2,457,284</u> | <u>2,214,713</u> | <u>2,394,725</u> | <u>4,693,961</u> | <u>4,852,009</u> |
| Program Expenses | | | | | | |
| General government | 524,400 | 426,685 | - | - | 524,400 | 426,685 |
| Public safety | 330,064 | 332,549 | - | - | 330,064 | 332,549 |
| Public works | 57,074 | 57,405 | - | - | 57,074 | 57,405 |
| Community and economic development | 16,840 | 39,328 | - | - | 16,840 | 39,328 |
| Health and welfare | 1,287,604 | 1,363,075 | - | - | 1,287,604 | 1,363,075 |
| Culture and recreation | 39,524 | 65,910 | - | - | 39,524 | 65,910 |
| Other | 107,840 | 188,342 | - | - | 107,840 | 188,342 |
| Interest | 866 | 1,319 | - | - | 866 | 1,319 |
| Recreation Center | - | - | 156,357 | 148,230 | 156,357 | 148,230 |
| Parks and Recreation | - | - | 28,646 | 30,302 | 28,646 | 30,302 |
| Chippewa County | | | | | | |
| Fairgrounds | - | - | 68,134 | 93,401 | 68,134 | 93,401 |
| Golf Course | - | - | 446,302 | 482,593 | 446,302 | 482,593 |
| Public Works | - | - | 2,055,963 | 2,101,151 | 2,055,963 | 2,101,151 |
| Total Expenses | <u>2,364,212</u> | <u>2,474,613</u> | <u>2,755,402</u> | <u>2,855,677</u> | <u>5,119,614</u> | <u>5,330,290</u> |
| Transfers | (100,010) | (122,690) | 100,010 | 122,690 | - | - |
| Changes in Net Assets | <u>15,026</u> | <u>(140,019)</u> | <u>(440,679)</u> | <u>(338,262)</u> | <u>(425,653)</u> | <u>(478,281)</u> |
| Net assets | | | | | | |
| April 1 | <u>3,865,454</u> | <u>4,005,473</u> | <u>7,621,559</u> | <u>7,959,821</u> | <u>11,487,013</u> | <u>11,965,294</u> |
| March 31 | <u>\$ 3,880,480</u> | <u>\$ 3,865,454</u> | <u>\$ 7,180,880</u> | <u>\$ 7,621,559</u> | <u>\$ 11,061,360</u> | <u>\$ 11,487,013</u> |

Charter Township of Kinross

Management's Discussion and Analysis

The Township's Funds

Our analysis of the Township's funds follows, with explanations of changes segregated by governmental activities and business-type activities. The fund financial statements follow the entity wide financial statements, and provide detailed 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. The Township's major funds for 2010 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund and Public Works Fund.

Governmental Activities

Governmental Activities include those accounted for in the major funds of the General, Police, and Ambulance funds. Nonmajor governmental funds include the Fire, Property Management, Drug Forfeiture, Road Maintenance, Snowmobile Grooming, and Public Improvement funds.

The Township's governmental revenues decreased \$217,890 or 8.5% primarily due to a decrease in current collections of Ambulance revenues, and a reduction in state revenue sharing. The Township also reduced the road millage levied, from 1.5 to 1.0 mill.

Expenditures remained stable, with a small increase of only \$1,993 or about .1% over the previous year due to an effort by the township to control spending. When spending on capital improvements is subtracted, expenditures for operations and debt service are shown to have decreased by \$124,762, or 5.4%.

The reduction in operating expenditures, along with a sufficient fund balance, allowed the Township to make necessary capital improvements and equipment purchases. A very low debt level also gives the Township flexibility going forward to respond to changing economic conditions.

Charter Township of Kinross

Management's Discussion and Analysis

Business-Type Activities

The Township's business-type activities include the Public Works Department, Golf Course, Fairgrounds, the Recreation Center, and the Parks department. The two largest funds, which are major funds for the 2010 fiscal year, are the Golf Course and Public Works. These funds, while not statutorily required under Michigan Law, are used in the public interest to separately account for the finances of these activities.

Department of Public Works (DPW)

During FY 2010, operating revenues for DPW decreased by 7.0%, and operating expenses decreased by 2.2%. The drop in revenues is due to lost revenue following the closure of a prison facility partway through the fiscal year. The financial impact of the prison closure over the course of an entire year will result in a decrease in revenues of over 10% of the budget. This has forced the Township Board to review the water and sewer rate structure in order to ensure the continued upkeep and operation of the water system and sewer treatment facilities.

Golf Course

During FY 2010, operating revenues for the Golf Course decreased by \$29,047 or 6.6%. Operating expenses decreased 7.4%. With a few exceptions, the decrease in expenses was seen throughout the Golf Course budget. Despite the decrease in revenues, the net operating results were improved over the previous fiscal year.

General Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account various events that affected the budget during the year.

When the Township Board was preparing the FY 2010 budget there were many factors to be considered, particularly uncertainties regarding State revenue sharing and property taxes, due to potentially reduced property taxable values. While revenue sharing from the State was reduced, and the Public Works and Golf Course Funds experienced decreased revenues as previously mentioned, property taxes and other revenues were relatively stable. We were able to complete some capital improvements and purchase new equipment. Expenditures for heat and electricity were down 16.7% and 5.1%, respectively. A budget adjustment was done during the year to reorganize where the wages of particular employees are charged in order to more accurately reflect the cost of services. Several budget adjustments were also approved to perform capital improvements and purchase equipment, as our financial condition allowed.

Charter Township of Kinross

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the 2010 fiscal year the Township had \$8,631,957 (net of depreciation) invested in a broad range of capital assets, including land, buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The largest capital asset additions included the purchase of ambulance equipment and vehicles, a fire vehicle, and water main replacement in the Department of Public Works. The Township also contracted with the Chippewa County Road Commission to repave 1.7 miles of roadway, although roads are not listed in our financial records as assets, per State law. The total bonds and leases payable carried by the Township was \$155,488 at March 31, 2010; this is the lowest amount of debt that the Township has had in over 10 years and is also lower than most municipalities, giving us flexibility for the future and does not burden our budget with interest payments.

Compensated absences totaled \$110,789 at March 31, 2010.

Future Considerations and Economic Factors

Kinross Charter Township, despite the poor economic climate throughout the State of Michigan has had numerous areas of positive growth in the past year.

The Chippewa County Economic Development Authority (CCEDC), which has control of the bulk of the industrial buildings within the Township, has received grant monies to refurbish two of the old Air Force hangars. One is nearing completion and the other is in the beginning stages of this process; when completed these hangars will provide for expanded storage of aircraft in this area. The hope is that these additions will open the doors for business opportunities in the area.

Kinross Charter Township has also sold two commercial buildings owned by the township. These buildings now house two and five new small businesses respectively. The Township also welcomed another end process manufacturing /retail business to the area as well. We also are happy to say that the Local Express/BP business has rebuilt and is once again a cornerstone of the community.

The Township is in the process of marketing the vacant land that we currently have ownership of and it is our hope that this time next year will see some new construction coming to the Township; this land includes residential and commercial properties.

Charter Township of Kinross

Management's Discussion and Analysis

A Downtown Development Authority (DDA) is being actively pursued by the Township at this time. If and when this can be established this Authority will be able to work together with established businesses to update the area storefronts, work with the entity that would like to purchase our final commercial building property – a motel building. If we can accomplish this, the Township will play an important role in bringing a much needed business entity to the community, and save the Township from an added expense of demolition of a building. The addition of a DDA will increase the availability of loans that both the Township and the CCEDC may be able to apply for, so the impact of this group is endless.

Frontier Renewable Resources (Mascoma) is still moving forward, but not as quickly as anticipated. The current hope is that they will be breaking ground sometime in the Spring of 2011.

While Kinross Township has made positive strides in the past year, it has not been an easy task. Revenue sharing cuts to the Township have throughout the years had a significant impact on Township services. This year is no different. As well, property tax losses, stagnant home sales, and foreclosed homes in the Township have taken a toll on the Township departments as well.

The Kinross Police Department is an example of these cuts and losses. They operate on a very tight budget every year, and their current fiscal year budget finds them with an additional loss of about \$9,000 from what they had anticipated to be available to them. The police protection is from a special assessment levied to residents in the Kincheloe area of the Township, and this loss is a direct result of taxable values of the homes being decreased. The reasons for the taxable value loss is because of sales in the area have decreased, and the foreclosure rate has increased.

Another area that is seeing an impact due to loss of revenues is our Department of Public Works. They are contemplating a water rate increase to the residents of the Kincheloe area at this time. This increase would be coming at a time of economic hardship for many of the residents of the Kincheloe area.

Charter Township of Kinross

Management's Discussion and Analysis

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 any questions about this report or need additional information, we welcome you to contact the Township office.

Charter Township of Kinross

Statement of Net Assets March 31, 2010

ASSETS

| | Governmental activities | Business-type activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and investments | \$ 1,282,697 | \$ 965,552 | \$ 2,248,249 |
| Receivables | 291,273 | 176,685 | 467,958 |
| Due from other governmental units | 47,771 | - | 47,771 |
| Internal balances | 22 | - | 22 |
| Prepaid expenses | 23,575 | 31,776 | 55,351 |
| Inventory | - | 42,539 | 42,539 |
| Total current assets | <u>1,645,338</u> | <u>1,216,552</u> | <u>2,861,890</u> |
| NONCURRENT ASSETS | | | |
| Non-depreciable | 437,410 | 487,314 | 924,724 |
| Depreciable, net of accumulated depreciation | <u>1,913,057</u> | <u>5,794,176</u> | <u>7,707,233</u> |
| Total noncurrent assets | <u>2,350,467</u> | <u>6,281,490</u> | <u>8,631,957</u> |
| Total assets | <u>\$ 3,995,805</u> | <u>\$ 7,498,042</u> | <u>\$ 11,493,847</u> |

LIABILITIES AND NET ASSETS

| | | | |
|---|---------------------|---------------------|----------------------|
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 25,798 | \$ 77,593 | \$ 103,391 |
| Accrued expenses and other liabilities | 30,890 | 31,526 | 62,416 |
| Deferred revenue | 403 | - | 403 |
| Leases payable, due within one year | 10,253 | 13,995 | 24,248 |
| Bonds payable, due within one year | - | 10,000 | 10,000 |
| Total current liabilities | <u>67,344</u> | <u>133,114</u> | <u>200,458</u> |
| NONCURRENT LIABILITIES | | | |
| Leases payable | 2,640 | 3,600 | 6,240 |
| Bonds payable | - | 115,000 | 115,000 |
| Compensated absences | <u>45,341</u> | <u>65,448</u> | <u>110,789</u> |
| Total noncurrent liabilities | <u>47,981</u> | <u>184,048</u> | <u>232,029</u> |
| Total liabilities | 115,325 | 317,162 | 432,487 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 2,337,574 | 6,138,895 | 8,476,469 |
| Unrestricted | <u>1,542,906</u> | <u>1,041,985</u> | <u>2,584,891</u> |
| Total net assets | <u>\$ 3,880,480</u> | <u>\$ 7,180,880</u> | <u>\$ 11,061,360</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Activities For the year ended March 31, 2010

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------|-------------------------|--|--|--|-----------------------------|---------------|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 524,400 | \$ 22,705 | \$ - | \$ - | \$ (501,695) | \$ - | \$ (501,695) |
| Public safety | 330,064 | 245,677 | 21,236 | 8,257 | (54,894) | - | (54,894) |
| Public works | 57,074 | - | - | - | (57,074) | - | (57,074) |
| Community and economic development | 16,840 | - | - | - | (16,840) | - | (16,840) |
| Health and welfare | 1,287,604 | 1,372,781 | - | - | 85,177 | - | 85,177 |
| Culture and recreation | 39,524 | 2,142 | 15,436 | 11,596 | (10,350) | - | (10,350) |
| Other governmental functions | 107,840 | 85,979 | - | - | (21,861) | - | (21,861) |
| Interest on long-term debt | 866 | - | - | - | (866) | - | (866) |
| Total governmental activities | 2,364,212 | 1,729,284 | 36,672 | 19,853 | (578,403) | - | (578,403) |
| Business-type activities: | | | | | | | |
| Recreation Center | 156,357 | 21,311 | 5,380 | - | - | (129,666) | (129,666) |
| Parks and Recreation | 28,646 | 32,896 | - | - | - | 4,250 | 4,250 |
| Chippewa County Fairgrounds | 68,134 | 19,528 | - | - | - | (48,606) | (48,606) |
| Golf Course | 446,302 | 406,927 | - | - | - | (39,375) | (39,375) |
| Public Works | 2,055,963 | 1,652,947 | - | - | - | (403,016) | (403,016) |
| Total business-type activities | 2,755,402 | 2,133,609 | 5,380 | - | - | (616,413) | (616,413) |
| Total government | \$ 5,119,614 | \$ 3,862,893 | \$ 42,052 | 19,853 | \$ (578,403) | (616,413) | (1,194,816) |
| General revenues | | | | | | | |
| Property taxes, levied for general purposes | | | | | 126,352 | - | 126,352 |
| Property taxes, levied for specific purposes | | | | | 90,796 | - | 90,796 |
| Grants and contributions not restricted to specific programs | | | | | 430,747 | - | 430,747 |
| Unrestricted investment earnings | | | | | 34,994 | 30,922 | 65,916 |
| Gain/(loss) on sale of capital assets | | | | | 8,600 | 17,779 | 26,379 |
| Miscellaneous | | | | | 1,950 | 27,023 | 28,973 |
| Transfers | | | | | (100,010) | 100,010 | - |
| | | | | | 593,429 | 175,734 | 769,163 |
| Change in net assets | | | | | 15,026 | (440,679) | (425,653) |
| Net assets at April 1, 2009 | | | | | 3,865,454 | 7,621,559 | 11,487,013 |
| Net assets at March 31, 2010 | | | | | \$ 3,880,480 | \$ 7,180,880 | \$ 11,061,360 |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Balance Sheet
Governmental Funds
March 31, 2010

ASSETS

| | General Fund | Ambulance Fund | Police Fund | Other governmental funds | Total governmental funds |
|-----------------------------------|-----------------|-------------------|----------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 530,043 | \$ 143,209 | \$ 203,727 | \$ 405,718 | \$ 1,282,697 |
| Receivables | | | | | |
| Accounts | 511 | 286,586 | - | 275 | 287,372 |
| Interest | 3,901 | - | - | - | 3,901 |
| Due from other governmental units | 30,700 | - | 13,930 | 3,141 | 47,771 |
| Due from other funds | 22 | - | - | - | 22 |
| Prepaid expenses | 4,943 | 9,634 | 4,059 | 4,939 | 23,575 |
| Total assets | \$ 570,120 | \$ 439,429 | \$ 221,716 | \$ 414,073 | \$ 1,645,338 |

LIABILITIES AND FUND BALANCES

| | | | | | |
|--|------------|------------|------------|------------|--------------|
| LIABILITIES | | | | | |
| Accounts payable | \$ 10,983 | \$ 9,569 | \$ 1,025 | \$ 4,221 | \$ 25,798 |
| Accrued expenses and other liabilities | 6,572 | 16,318 | 5,541 | 2,459 | 30,890 |
| Deferred revenue | - | 206,733 | - | 403 | 207,136 |
| Total liabilities | 17,555 | 232,620 | 6,566 | 7,083 | 263,824 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Prepaid expenses | 4,943 | 9,634 | 4,059 | 4,939 | 23,575 |
| Designated for: | | | | | |
| Building improvements | 144,807 | - | - | 19,700 | 164,507 |
| Unreserved | 402,815 | 197,175 | 211,091 | 382,351 | 1,193,432 |
| Total fund balances | 552,565 | 206,809 | 215,150 | 406,990 | 1,381,514 |
| Total liabilities and fund balances | \$ 570,120 | \$ 439,429 | \$ 221,716 | \$ 414,073 | \$ 1,645,338 |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2010

Total fund balance—governmental funds \$ 1,381,514

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 therefore are not reported in the
governmental funds.

| | | |
|--------------------------|--------------------|-----------|
| Cost of capital assets | \$ 6,128,261 | |
| Accumulated depreciation | <u>(3,777,794)</u> | 2,350,467 |

Certain ambulance revenue is not recognized until it
is receivable in the current period and therefore
is shown as deferred revenue in the
governmental funds

206,733

Long-term liabilities, including leases payable,
are not due and payable in the current period
therefore are not reported and payable in the current
period and not reported in the governmental funds.

| | | |
|----------------------|-----------------|----------|
| Leases payable | (12,893) | |
| Compensated absences | <u>(45,341)</u> | (58,234) |

Net assets of governmental activities
in the Statement of Net Assets

\$ 3,880,480

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2010

| | General Fund | Ambulance Fund | Police Fund | Other governmental funds | Total governmental funds |
|--|-------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes | \$ 126,352 | \$ 6,301 | \$ - | \$ 84,495 | \$ 217,148 |
| Special assessments | - | - | 213,247 | - | 213,247 |
| Federal revenues | - | 8,257 | - | - | 8,257 |
| State revenues | 430,747 | - | 5,604 | 42,644 | 478,995 |
| Local contributions | - | - | - | 20 | 20 |
| Charges for services | 10,923 | 1,226,384 | 31,780 | 656 | 1,269,743 |
| Rental income | - | - | - | 85,979 | 85,979 |
| Licenses and permits | 5 | - | - | - | 5 |
| Investment earnings | 13,215 | 5,863 | 4,080 | 11,836 | 34,994 |
| Reimbursements | 11,777 | 27,993 | - | 2,136 | 41,906 |
| Other | 4 | 500 | - | 1,446 | 1,950 |
| Total revenues | <u>593,023</u> | <u>1,275,298</u> | <u>254,711</u> | <u>229,212</u> | <u>2,352,244</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 440,805 | - | - | - | 440,805 |
| Public safety | 137 | - | 244,826 | 58,753 | 303,716 |
| Public works | 3,424 | - | - | 53,650 | 57,074 |
| Community and economic development | 16,840 | - | - | - | 16,840 |
| Health and welfare | - | 1,236,371 | - | - | 1,236,371 |
| Culture and recreation | - | - | - | 13,740 | 13,740 |
| Other governmental functions | 10,766 | - | - | 97,074 | 107,840 |
| Debt service | | | | | |
| Principal | - | 9,778 | - | - | 9,778 |
| Interest | - | 866 | - | - | 866 |
| Capital outlay | - | 165,526 | - | 53,335 | 218,861 |
| Total expenditures | <u>471,972</u> | <u>1,412,541</u> | <u>244,826</u> | <u>276,552</u> | <u>2,405,891</u> |
| Excess of revenues over (under) expenditures | <u>121,051</u> | <u>(137,243)</u> | <u>9,885</u> | <u>(47,340)</u> | <u>(53,647)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from sale of fixed assets | - | 12,000 | 400 | 1,200 | 13,600 |
| Transfers in | 10,000 | 27,000 | - | 31,460 | 68,460 |
| Transfers out | (158,470) | - | - | (10,000) | (168,470) |
| Total other financing sources (uses) | <u>(148,470)</u> | <u>39,000</u> | <u>400</u> | <u>22,660</u> | <u>(86,410)</u> |
| Net change in fund balances | (27,419) | (98,243) | 10,285 | (24,680) | (140,057) |
| Fund balance at April 1, 2009 | <u>579,984</u> | <u>305,052</u> | <u>204,865</u> | <u>431,670</u> | <u>1,521,571</u> |
| Fund balance at March 31, 2010 | <u>\$ 552,565</u> | <u>\$ 206,809</u> | <u>\$ 215,150</u> | <u>\$ 406,990</u> | <u>\$ 1,381,514</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the governmental funds to the Statement of Activities
For the year ended March 31, 2010

Net changes in fund balances - total governmental funds \$ (140,057)

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|----------------------|----------------|--------|
| Depreciation expense | (182,318) | |
| Capital outlay | <u>218,861</u> | |
| | | 36,543 |

Governmental funds report the proceeds on the sale of assets as current financial resources. However, in the Statement of Activities, a gain or loss on the disposition of assets is recorded as the difference in the sale price over the depreciated value of the asset.

| | | |
|----------------------------------|--------------|---------|
| Proceeds on sale of fixed assets | (13,600) | |
| Loss on sale of fixed assets | <u>8,600</u> | |
| | | (5,000) |

Certain ambulance revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.

118,404

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds.

| | | |
|--|--|-------|
| Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets | | 9,778 |
|--|--|-------|

Compensated absences are reported in the Statement of Activities on an accrual basis, but are reported in the governmental funds as expenditures when used.

(4,642)

| | | |
|---|--|------------------|
| Change in net assets of governmental activities | | <u>\$ 15,026</u> |
|---|--|------------------|

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Net Assets
Proprietary Funds
March 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------|----------------------------------|--------------|
| | Golf Course | Public Works | Nonmajor Proprietary Funds | Total |
| CURRENT ASSETS | | | | |
| Cash and investments | | | | |
| Unrestricted | \$ 27,458 | \$ 828,686 | \$ 106,059 | \$ 962,203 |
| Restricted | 3,349 | - | - | 3,349 |
| Accounts receivable | | | | |
| Trade | 2,400 | 159,987 | - | 162,387 |
| Interest | - | 14,298 | - | 14,298 |
| Inventory | 42,167 | - | 372 | 42,539 |
| Prepaid expenses | 2,776 | 26,382 | 2,618 | 31,776 |
| Total current assets | 78,150 | 1,029,353 | 109,049 | 1,216,552 |
| NONCURRENT ASSETS | | | | |
| Capital assets | | | | |
| Land | 310,000 | 19,514 | 157,800 | 487,314 |
| Land improvements | 1,261,128 | 241,035 | 484,697 | 1,986,860 |
| Buildings and building improvements | 327,070 | 5,528,461 | 926,496 | 6,782,027 |
| Equipment | 676,649 | 1,291,757 | 133,225 | 2,101,631 |
| State projects | - | 1,151,397 | - | 1,151,397 |
| Water system | - | 1,329,699 | - | 1,329,699 |
| Sewer system | - | 2,763,336 | - | 2,763,336 |
| Less: accumulated depreciation | (1,504,638) | (7,533,813) | (1,282,323) | (10,320,774) |
| Net capital assets | 1,070,209 | 4,791,386 | 419,895 | 6,281,490 |
| Total assets | \$ 1,148,359 | \$ 5,820,739 | \$ 528,944 | \$ 7,498,042 |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 7,775 | \$ 65,100 | \$ 4,718 | \$ 77,593 |
| Accrued expenses and other liabilities | 5,844 | 22,220 | 3,462 | 31,526 |
| Leases payable, due within one year | 13,995 | - | - | 13,995 |
| Bonds payable, due within one year | 10,000 | - | - | 10,000 |
| Total current liabilities | 37,614 | 87,320 | 8,180 | 133,114 |
| NONCURRENT LIABILITIES | | | | |
| Leases payable | 3,600 | - | - | 3,600 |
| Bonds payable | 115,000 | - | - | 115,000 |
| Compensated absences | 11,408 | 50,434 | 3,606 | 65,448 |
| Total noncurrent liabilities | 130,008 | 50,434 | 3,606 | 184,048 |
| Total liabilities | 167,622 | 137,754 | 11,786 | 317,162 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 927,614 | 4,791,386 | 419,895 | 6,138,895 |
| Unrestricted | 53,123 | 891,599 | 97,263 | 1,041,985 |
| Total net assets | 980,737 | 5,682,985 | 517,158 | 7,180,880 |
| Total liabilities and net assets | \$ 1,148,359 | \$ 5,820,739 | \$ 528,944 | \$ 7,498,042 |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended March 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|---|-----------------|----------------------------------|--------------|
| | Golf Course | Public Works | Nonmajor Proprietary Funds | Total |
| REVENUES | | | | |
| Charges for services | \$ 406,927 | \$ 1,652,947 | \$ 73,735 | \$ 2,133,609 |
| Local revenues | - | - | 5,380 | 5,380 |
| Other revenue | 1,409 | 17,666 | 7,948 | 27,023 |
| | 408,336 | 1,670,613 | 87,063 | 2,166,012 |
| OPERATING EXPENSES | | | | |
| Wages and fringe benefits | 180,298 | 709,681 | 104,898 | 994,877 |
| Supplies | 16,355 | 128,365 | 8,245 | 152,965 |
| Utilities | 18,033 | 246,082 | 33,458 | 297,573 |
| Other services and charges | 95,522 | 226,924 | 17,095 | 339,541 |
| Repair and maintenance | 56,307 | 194,695 | 15,611 | 266,613 |
| Other expenses | 1,881 | 146,982 | 20,334 | 169,197 |
| Depreciation | 70,427 | 403,234 | 53,496 | 527,157 |
| | 438,823 | 2,055,963 | 253,137 | 2,747,923 |
| Total operating expenses | 438,823 | 2,055,963 | 253,137 | 2,747,923 |
| Operating loss | (30,487) | (385,350) | (166,074) | (581,911) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Gain on disposition of assets | - | 17,779 | - | 17,779 |
| Interest expense | (7,479) | - | - | (7,479) |
| Investment earnings | 445 | 25,686 | 4,791 | 30,922 |
| Total non-operating revenues (expenses) | (7,034) | 43,465 | 4,791 | 41,222 |
| Net income loss before transfers | (37,521) | (341,885) | (161,283) | (540,689) |
| TRANSFERS | | | | |
| Transfers in | - | - | 100,010 | 100,010 |
| Transfers out | - | - | - | - |
| Net transfers | - | - | 100,010 | 100,010 |
| Change in net assets | (37,521) | (341,885) | (61,273) | (440,679) |
| Net assets at April 1, 2009 | 1,018,258 | 6,024,870 | 578,431 | 7,621,559 |
| Net assets at March 31, 2010 | \$ 980,737 | \$ 5,682,985 | \$ 517,158 | \$ 7,180,880 |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Cash Flows Proprietary Funds For the year ended March 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|--|---|-----------------|----------------------------------|--------------|
| | Golf Course | Public Works | Nonmajor Proprietary Funds | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 405,936 | \$ 1,698,251 | \$ 87,478 | \$ 2,191,665 |
| Payments to suppliers | (174,396) | (961,610) | (94,274) | (1,230,280) |
| Payments to employees | (180,492) | (712,221) | (103,359) | (996,072) |
| Net cash provided by (used for) operating activities | 51,048 | 24,420 | (110,155) | (34,687) |
| CASH FLOWS FOR NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | - | - | 100,010 | 100,010 |
| Net cash provided by noncapital financing activities | - | - | 100,010 | 100,010 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Net purchases of capital assets | - | (218,326) | (18,910) | (237,236) |
| Principal paid on long-term debt | (24,528) | - | - | (24,528) |
| Interest paid on long-term debt | (7,479) | - | - | (7,479) |
| Net cash used for capital and related financing activities | (32,007) | (218,326) | (18,910) | (269,243) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Investment earnings | 445 | 25,686 | 4,791 | 30,922 |
| Net cash provided by financing activities | 445 | 25,686 | 4,791 | 30,922 |
| Net increase (decrease) in cash and investments | 19,486 | (168,220) | (24,264) | (172,998) |
| Cash and investments at April 1, 2009 | 11,321 | 996,906 | 130,323 | 1,138,550 |
| Cash and investments at March 31, 2010 | \$ 30,807 | \$ 828,686 | \$ 106,059 | \$ 965,552 |
| Reconciliation of operating loss to net cash provided by operating activities | | | | |
| Operating loss | \$ (30,487) | \$ (385,350) | \$ (166,074) | \$ (581,911) |
| Adjustments to reconcile operating loss to net cash provided by (used for) operating activities: | | | | |
| Depreciation expense | 70,427 | 403,234 | 53,496 | 527,157 |
| Change in assets and liabilities | | | | |
| (Increase)/decrease in receivables | (2,400) | 27,215 | 415 | 25,230 |
| (Increase)/decrease in prepaid expenses | 847 | 518 | (46) | 1,319 |
| (Increase)/decrease in internal balances | - | 423 | - | 423 |
| (Increase)/decrease in inventory | 5,907 | - | 896 | 6,803 |
| Increase/(decrease) in accounts payable | 6,948 | (19,080) | (381) | (12,513) |
| Increase/(decrease) in accrued expenses and other liabilities | 391 | 1,780 | 709 | 2,880 |
| Increase/(decrease) in compensated absences | (585) | (4,320) | 830 | (4,075) |
| Net cash provided by operating activities | \$ 51,048 | \$ 24,420 | \$ (110,155) | \$ (34,687) |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Fiduciary Assets and Liabilities
 Agency Fund
 For the year ended March 31, 2010

| ASSETS | Current Tax Collection Fund | Personal Property Tax Collection Fund | Total |
|---------------------------------|--------------------------------------|--|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Cash and investments | \$ 521 | \$ 1,249 | \$ 1,770 |
| | <u> </u> | <u> </u> | <u> </u> |
| | | | |
| LIABILITIES | | | |
| Due to/due from other funds | \$ 72 | \$ (50) | \$ 22 |
| Due to other governmental units | <u>449</u> | <u>1,299</u> | <u>1,748</u> |
| | <u>\$ 521</u> | <u>\$ 1,249</u> | <u>\$ 1,770</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Kinross have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Charter Township of Kinross.

A. Reporting entity

The Charter Township of Kinross, located in Chippewa County, is a municipal corporation governed by an elected seven member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable, by applying the criteria set forth in Statement No. 37 of the Governmental Accounting Standards Board. The following component units have been included in the financial reporting entity as blended component units.

Kinross Township Building Authority – The Authority is an entity legally separate from the Township, but which is governed by a board appointed by the Kinross Township Board of Trustees. The Authority's primary purpose is the procurement and management of debt financing for the Township. There was no activity in the Authority during the 2010 fiscal year.

Kinross Township Economic Development Corporation – The Economic Development Corporation is a legally separate non-profit entity whose primary purpose is to promote economic development in Kinross Township. The board is appointed by the Kinross Township Board of Trustees, it is financially accountable to the Township, and its annual budget is subject to the approval of the Kinross Township Board of Trustees. There was no activity in the Economic Development Corporation during the 2010 fiscal year.

Kinross Brownfield Redevelopment Authority – The Authority is a legally separate entity, which is governed by a board appointed by the Kinross Board of Trustees. The Authority is financially accountable to the Township. There was no activity in the Authority during the 2010 fiscal year.

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for ambulance service revenues and ambulatory activities.

The Police Fund accounts for public safety service activities provided to the citizens of the Kincheloe area.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

The Township reports the following major proprietary funds:

The Golf Course Fund accounts for the operations of the Oaks Golf Course.

The Public Works Fund accounts for the operation of the Township water system, sewage treatment services, and garbage collection for residents of the Kincheloe, Michigan area.

Additionally, the township reports the following fund type:

The tax collection agency funds accounts for all of the tax collection payments and disbursements to Charter Township of Kinross and other governmental units. The fiduciary funds are used to report assets held in a trustee or agency capacity for others are therefore are not available to support Township Programs. These funds are not incorporated into the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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

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

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

D. Assets, liabilities and net assets or equity

1. 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 the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balances.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. 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 2009 state taxable value for property within the Township totaled approximately \$44,542,371. The property tax levied consisted of 1.65 mills for the Township's operating purposes and 1 mill for road improvements, recorded in the General Fund and Road Fund, respectively. The Township also has a special assessment district which levies taxes for police services, which is reflected in the Police Fund.

3. Prepaid expenses

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

4. Inventory

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

5. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major capital outlays for assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40-60 |
| Building improvements | 15-30 |
| Vehicles | 3-5 |
| Office equipment | 5-7 |
| Equipment | 3-7 |
| Land improvements | 5-20 |
| State projects | 20-30 |
| Water system | 5-50 |
| Sewer system | 5-50 |

6. Deferred Revenues

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

7. Compensated Absences

The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits are credited to the employee at the end of each pay period. The Township also has a sick leave policy, which provides sick leave benefits to be earned at a rate of four hours per every 80 hours worked. When an employee separates from service, the Township will pay an employee his or her unused vacation up to 240 hours and unused sick time up to 80 hours.

8. Interfund Transfers

During the course of normal operations, the Township has several transactions between fund, including expenditures and transfers of resources to provide services, purchase capital assets, and service debt. The accompanying financial statements reflect such transactions as interfund transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

9. 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.

10. Use of Estimates

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

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 through March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board of Trustees modified the original adopted budgets for several funds throughout the year.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2010, the Township's deposits and investments were as follows:

| | Primary Government | Fiduciary Funds |
|-------------|-----------------------|--------------------|
| Deposits | \$ 373,652 | \$ 1,770 |
| Investments | <u>1,874,597</u> | <u>-</u> |
| Total | <u>\$ 2,248,249</u> | <u>\$ 1,770</u> |

Cash of \$3,349 is restricted in the Golf Course Fund for purposes of repaying the 2004 capital improvement bonds.

Note A – Deposits and investments – Continued

The Township investments at March 31, 2010 consisted of the following:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Months)</u> | <u>Rating (Moody's)</u> | <u>Percent of Total Investments</u> |
|---|-------------------|---|-----------------------------|---|
| Negotiable certificates of deposit, interest from 2% - 4.5% | 320,390 | 49 | Not rated | 17.1% |
| U.S. agency obligations | 1,007,674 | 234 | AAA/Aaa | 53.8% |
| Asset and mortgage backed securities | 546,533 | 360 | Not rated | 29.1% |
| Portfolio weighted average maturity | | 239 months | | |

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

Interest Rate Risk

Through its investment policy, the Township manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Concentration of Credit Risk

The Township Board places no limit on the amount that the Township may invest in any one issuer.

Custodial Credit Risk – Deposits

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of March 31, 2010, \$253,349 of the Township's deposits were covered by federal depository insurance, and \$120,303 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

Investment custodial credit risk is the risk that in the event of the failure of a counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party. As of March 31, 2010, \$1,624,597 of the Township's investments was exposed to custodial credit risk.

Foreign currency risk

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

B. Capital assets

Capital asset activity for the year ended March 31, 2010 was as follows:

| | Balance April 1, 2009 | Additions | Deletions | Balance March 31, 2010 |
|--|-----------------------------|---------------------|------------------|------------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 442,410 | \$ - | \$ 5,000 | \$ 437,410 |
| Capital assets, being depreciated | | | | |
| Land improvements | \$ 326,811 | \$ - | \$ - | \$ 326,811 |
| Buildings and improvements | 3,283,093 | - | - | 3,283,093 |
| Equipment | 962,035 | 94,625 | - | 1,056,660 |
| Office equipment | 117,573 | - | - | 117,573 |
| Vehicles | 906,662 | 124,236 | 124,184 | 906,714 |
| Total capital assets being depreciated | 5,596,174 | 218,861 | 124,184 | 5,690,851 |
| Less: accumulated depreciation | 3,719,660 | 182,318 | 124,184 | 3,777,794 |
| Net capital assets, being depreciated | 1,876,514 | 36,543 | - | 1,913,057 |
| Total governmental capital assets | <u>\$ 2,318,924</u> | <u>\$ 36,543</u> | <u>\$ 5,000</u> | <u>\$ 2,350,467</u> |
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 487,314 | \$ - | \$ - | \$ 487,314 |
| Capital assets, being depreciated | | | | |
| Land improvements | \$ 1,967,950 | \$ 18,910 | \$ - | \$ 1,986,860 |
| Buildings and improvements | 6,777,625 | 4,402 | - | 6,782,027 |
| Equipment | 2,076,240 | 117,699 | 92,308 | 2,101,631 |
| State projects | 1,151,397 | - | - | 1,151,397 |
| Water system | 1,145,844 | 183,855 | - | 1,329,699 |
| Sewer system | 2,759,340 | 3,996 | - | 2,763,336 |
| Total capital assets being depreciated | 15,878,396 | 328,862 | 92,308 | 16,114,950 |
| Less: accumulated depreciation | 9,812,081 | 527,157 | 18,464 | 10,320,774 |
| Net capital assets, being depreciated | 6,066,315 | (198,295) | 73,844 | 5,794,176 |
| Total business-type capital assets | <u>\$ 6,553,629</u> | <u>\$ (198,295)</u> | <u>\$ 73,844</u> | <u>\$ 6,281,490</u> |

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

Note B - Capital assets – Continued

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

| | |
|----------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 79,805 |
| Public safety | 25,273 |
| Health and welfare | 51,456 |
| Culture and recreation | <u>25,784</u> |
| Total governmental depreciation | <u>\$ 182,318</u> |
| | |
| Business-type activities: | |
| Recreation Center | \$ 16,874 |
| Parks and Recreation | 4,808 |
| Chippewa County | |
| Fairgrounds | 31,814 |
| Golf Course | 70,427 |
| Public Works | <u>403,234</u> |
| Total business-type depreciation | <u>\$ 527,157</u> |

C. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at March 31, 2010 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|-----------------------------|---------------|
| General Fund | Current Tax Collection Fund | \$ 8 |
| General Fund | Personal Property Tax Fund | 14 |
| Personal Property Tax Collection Fund | Current Tax Collection Fund | <u>63</u> |
| | | <u>\$ 85</u> |

The outstanding balances between the funds result mainly from the time lag between the dates that the tax collection fund received the county settlement and the dates disbursed to the township from the tax collection fund.

Interfund transfers during the 2010 fiscal year consisted of the following:

| <u>Fund Transferring Out</u> | <u>Receiving Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------------------|-----------------------|-------------------|----------------|
| General Fund | Fire Fund | \$ 31,460 | Operating |
| General Fund | Ambulance Fund | 27,000 | Operating |
| General Fund | Recreation Fund | 77,035 | Operating |
| General Fund | Fairgrounds Fund | 22,975 | Operating |
| Snowmobile Grooming | General Fund | <u>10,000</u> | Operating |
| | | <u>\$ 168,470</u> | |

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

D. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

| | | |
|----------------------------|-------------------|-------------------------|
| Ambulance Fund Receivables | \$ 206,733 | Earned, but unavailable |
| Property Management Fund | <u>403</u> | Unearned |
| Total | <u>\$ 207,136</u> | |

E. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2010 fiscal year:

| | Balance April 1, 2009 | Additions | Reductions | Balance March 31, 2010 | Due within one year |
|---|-----------------------------|-----------------|------------------|------------------------------|---------------------------|
| Governmental activities | | | | | |
| Leases payable | \$ 22,671 | \$ - | \$ 9,778 | \$ 12,893 | \$ 10,253 |
| Compensated absences | <u>40,699</u> | <u>4,642</u> | <u>-</u> | <u>45,341</u> | <u>-</u> |
| Governmental activity long-term liabilities | <u>\$ 63,370</u> | <u>\$ 4,642</u> | <u>\$ 9,778</u> | <u>\$ 58,234</u> | <u>\$ 10,253</u> |
| Business-type activities | | | | | |
| Bonds payable | \$ 135,000 | \$ - | \$ 10,000 | \$ 125,000 | \$ 10,000 |
| Leases payable | 32,123 | - | 14,528 | 17,595 | 13,995 |
| Compensated absences | <u>69,523</u> | <u>-</u> | <u>4,075</u> | <u>65,448</u> | <u>-</u> |
| Business-type activity long-term liabilities | <u>\$ 236,646</u> | <u>\$ -</u> | <u>\$ 28,603</u> | <u>\$ 208,043</u> | <u>\$ 23,995</u> |

Long-term debt at March 31, 2010 consisted of the following:

Governmental activities:

| | |
|--|------------------|
| Capital lease for ambulance; payable in monthly installments of \$887 through July of 2011; interest at 4.7% | \$ 12,893 |
| Compensated absences | <u>45,341</u> |
| Total governmental activities long-term debt | <u>\$ 58,234</u> |

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

Note B – Long-term debt – Continued

Business-type activities:

| | |
|--|-------------------|
| Series 2004 Capital Improvement Bonds; payable in biannual installments through October 2019; interest from 4.125-5.375% | \$ 125,000 |
| Capital lease for golf carts; payable in monthly installments of \$1,209 through June 2011; interest at 4.596% | 17,595 |
| Compensated absences | <u>65,448</u> |
| Total business-type activities long-term debt | <u>\$ 208,043</u> |

The 2004 Capital Improvement Bonds are backed by the full faith and credit of the Township.

Annual debt service requirements for debt outstanding as of March 31, 2010 is as follows:

| <u>Year ending March 31,</u> | <u>Governmental activities</u> | | <u>Business-type activities</u> | |
|----------------------------------|--------------------------------|-----------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2011 | \$ 10,253 | \$ 391 | \$ 23,995 | \$ 6,610 |
| 2012 | 2,640 | 20 | 14,600 | 5,698 |
| 2013 | - | - | 11,000 | 5,188 |
| 2014 | - | - | 12,000 | 4,694 |
| 2015 | | | 12,000 | 4,132 |
| 2016-2020 | <u>12,893</u> | <u>411</u> | <u>69,000</u> | <u>11,085</u> |
| Compensated absences | <u>45,341</u> | <u>-</u> | <u>65,448</u> | <u>-</u> |
| | <u>\$ 58,234</u> | <u>\$ 411</u> | <u>\$ 208,043</u> | <u>\$ 37,407</u> |

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

F. Other information

1. Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

G. Pension plan

The Township provides pension benefits for all of its elected officials and full time employees through a defined contribution plan. The Township's pension investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute from 1-95% of compensation into the Plan. The Plan may be amended annually by the Township. The Township contributed \$54,744 to the Plan for the year ended March 31, 2010. Employee contributions during the 2010 fiscal year totaled \$7,295.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2010

H. Segment information – Enterprise fund

The Golf Course fund accounts for the activities of the Oaks Golf Course. Segment information for the Golf Course fund for the year ended March 31, 2010 is as follows:

| | | |
|------------------------------|----|-------------------------|
| Non operating revenue | \$ | 445 |
| Non operating expense | | (7,479) |
| Operating loss | | <u>(30,487)</u> |
| Change in net assets | | (37,521) |
| | | |
| Operating revenues | | 408,336 |
| Operating expenses | | 438,823 |
| Depreciation | | 70,427 |
| | | |
| Current assets | \$ | 78,150 |
| Noncurrent assets | | <u>1,070,209</u> |
| Total assets | \$ | <u><u>1,148,359</u></u> |
| | | |
| Current liabilities | \$ | 37,614 |
| Long-term liabilities | | <u>130,008</u> |
| Total liabilities | \$ | <u><u>167,622</u></u> |
| | | |
| Beginning net assets | | 1,018,258 |
| Ending net assets | | 980,737 |
| | | |
| Cash provided by (used for): | | |
| Operating activities | \$ | 51,048 |
| Capital financing | | (32,007) |
| Investing activities | | 445 |
| Beginning cash | | <u>11,321</u> |
| Ending cash | \$ | <u><u>30,807</u></u> |

Required supplementary information

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2010

| REVENUES | Budgeted Amounts | | | Variance with final budget- positive (negative) |
|---|------------------|--------------|------------|---|
| | Original | Final | Actual | |
| Property taxes | \$ 118,326 | \$ 118,326 | \$ 126,352 | \$ 8,026 |
| State revenue | 398,100 | 400,800 | 430,747 | 29,947 |
| Charges for services | 9,150 | 9,150 | 10,923 | 1,773 |
| Licenses and permits | - | - | 5 | 5 |
| Investment earnings | 15,000 | 15,000 | 13,215 | (1,785) |
| Reimbursements | 7,000 | 8,894 | 11,777 | 2,883 |
| Other | - | - | 4 | 4 |
| Total revenues | 547,576 | 552,170 | 593,023 | 40,853 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Township board | 22,200 | 22,200 | 20,876 | 1,324 |
| Supervisor | 48,100 | 53,213 | 53,178 | 35 |
| Clerk | 54,205 | 49,205 | 49,208 | (3) |
| Treasurer | 48,100 | 48,100 | 45,574 | 2,526 |
| Assessor | 50,275 | 50,275 | 49,642 | 633 |
| Accounting | 39,450 | 39,450 | 38,930 | 520 |
| Township hall | 44,225 | 49,519 | 41,286 | 8,233 |
| Board of review | 1,500 | 1,500 | 926 | 574 |
| Elections | 6,500 | 6,500 | 1,623 | 4,877 |
| Cemetery | 7,500 | 7,500 | 4,280 | 3,220 |
| Legal | 7,500 | 7,500 | 6,498 | 1,002 |
| Personnel services | 48,210 | 60,135 | 53,781 | 6,354 |
| Other services | 117,575 | 123,675 | 75,003 | 48,672 |
| Public safety | 3,000 | 3,000 | 137 | 2,863 |
| Public works | | | | |
| Roads and streets | 2,950 | 2,950 | 2,768 | 182 |
| Public right of way | 7,890 | 7,890 | 656 | 7,234 |
| Community and economic development | | | | |
| Planning and zoning | 32,500 | 32,500 | 16,840 | 15,660 |
| Other governmental functions | 11,400 | 14,100 | 10,766 | 3,334 |
| Capital outlay | | | | |
| Total expenditures | 553,080 | 579,212 | 471,972 | 107,240 |
| Excess of revenues over expenditures | (5,504) | (27,042) | 121,051 | 148,093 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 9,000 | 10,000 | 1,000 |
| Transfers out | (149,470) | (158,470) | (158,470) | - |
| Total other financing sources (uses) | (149,470) | (149,470) | (148,470) | 1,000 |
| Net change in fund balance | \$ (154,974) | \$ (176,512) | (27,419) | \$ 149,093 |
| Fund balance at April 1, 2009 | | | 579,984 | |
| Fund balance at March 31, 2010 | | | \$ 552,565 | |

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance Fund
For the year ended March 31, 2010

| REVENUES | Budgeted Amounts | | Actual | Variance with final budget- positive (negative) |
|--|------------------|-------------|------------|--|
| | Original | Final | | |
| Property taxes | \$ 5,394 | \$ 5,394 | \$ 6,301 | \$ 907 |
| Federal revenues | - | 7,526 | 8,257 | 731 |
| Charges for services | 1,273,173 | 1,337,373 | 1,226,384 | (110,989) |
| Investment earnings | 1,800 | 1,800 | 5,863 | 4,063 |
| Contributions | - | - | - | - |
| Reimbursements | 32,875 | 30,600 | 27,993 | (2,607) |
| Other | - | - | 500 | 500 |
| Total revenues | 1,313,242 | 1,382,693 | 1,275,298 | (107,395) |
| | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| Health and welfare | 1,287,032 | 1,251,667 | 1,236,371 | 15,296 |
| | | | | |
| Debt Service | | | | |
| Principal | 9,780 | 9,780 | 9,778 | 2 |
| Interest | 870 | 870 | 866 | 4 |
| | | | | |
| Capital outlay | 93,915 | 210,731 | 165,526 | 45,205 |
| Total expenditures | 1,391,597 | 1,473,048 | 1,412,541 | 60,507 |
| | | | | |
| Excess of revenues over (under) expenditures | (78,355) | (90,355) | (137,243) | (46,888) |
| | | | | |
| OTHER FINANCING USES | | | | |
| Proceeds from sale of fixed assets | - | 12,000 | 12,000 | - |
| Transfers in | 27,000 | 27,000 | 27,000 | - |
| Transfers out | - | - | - | - |
| Total other financing uses | 27,000 | 39,000 | 39,000 | - |
| | | | | |
| Net change in fund balance | \$ (51,355) | \$ (51,355) | (98,243) | \$ (46,888) |
| | | | | |
| Fund balance at April 1, 2009 | | | 305,052 | |
| Fund balance at March 31, 2010 | | | \$ 206,809 | |

Charter Township of Kinross

Required Supplementary Information
 Budgetary Comparison Schedule
 Police Fund
 For the year ended March 31, 2010

| | Budgeted Amounts | | Actual | Variance with final budget- positive (negative) |
|---|------------------|-------------|------------|--|
| REVENUES | Original | Final | | |
| Special assessments | \$ 207,092 | \$ 207,092 | \$ 213,247 | \$ 6,155 |
| State revenue | 5,100 | 5,100 | 5,604 | 504 |
| Charges for services | 31,204 | 31,204 | 31,780 | 576 |
| Investment earnings | 5,000 | 5,000 | 4,080 | (920) |
| Other revenue | 1,000 | 1,000 | - | (1,000) |
| Total revenues | 249,396 | 249,396 | 254,711 | 5,315 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 264,251 | 264,251 | 244,826 | 19,425 |
| Excess of revenues over expenditures | (14,855) | (14,855) | 9,885 | 24,740 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of fixed assets | - | - | 400 | 400 |
| Net change in fund balance | \$ (14,855) | \$ (14,855) | 10,285 | \$ 25,140 |
| Fund balance at April 1, 2009 | | | 204,865 | |
| Fund balance at March 31, 2010 | | | \$ 215,150 | |

Other supplemental information

Charter Township of Kinross

Combining Balance Sheet
Other Governmental Funds - Nonmajor
March 31, 2010

ASSETS

| | Special Revenue Funds | | | | | Capital Projects Fund | Total other governmental funds |
|-----------------------------------|-----------------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|-------------------------------|--------------------------------------|
| | Fire Fund | Property Management Fund | Drug Forfeiture Fund | Road Maintenance Fund | Snowmobile Grooming Fund | Public Improvement Fund | |
| ASSETS | | | | | | | |
| Cash and investments | \$ 75,820 | \$ 89,907 | \$ 757 | \$ 226,414 | \$ 7,830 | \$ 4,990 | \$ 405,718 |
| Accounts receivable | 275 | - | - | - | - | - | 275 |
| Due from other governmental units | - | - | - | - | 3,141 | - | 3,141 |
| Prepaid expenses | 2,589 | 1,839 | - | - | 511 | - | 4,939 |
| Total assets | \$ 78,684 | \$ 91,746 | \$ 757 | \$ 226,414 | \$ 11,482 | \$ 4,990 | \$ 414,073 |

LIABILITIES AND FUND BALANCES

LIABILITIES

| | | | | | | | |
|--|----------|----------|------|------|------|------|----------|
| Accounts payable | \$ 2,857 | \$ 1,364 | \$ - | \$ - | \$ - | \$ - | \$ 4,221 |
| Accrued expenses and other liabilities | 2,224 | 220 | - | - | 15 | - | 2,459 |
| Deferred revenue | - | 403 | - | - | - | - | 403 |
| Total liabilities | 5,081 | 1,987 | - | - | 15 | - | 7,083 |

FUND BALANCES

| | | | | | | | |
|-------------------------------------|-----------|-----------|--------|------------|-----------|----------|------------|
| Reserved for: | | | | | | | |
| Prepaid expenses | 2,589 | 1,839 | - | - | 511 | - | 4,939 |
| Designated for: | | | | | | | |
| Building improvements | 19,700 | - | - | - | - | - | 19,700 |
| Unreserved and undesignated | 51,314 | 87,920 | 757 | 226,414 | 10,956 | 4,990 | 382,351 |
| Total fund balances | 73,603 | 89,759 | 757 | 226,414 | 11,467 | 4,990 | 406,990 |
| Total liabilities and fund balances | \$ 78,684 | \$ 91,746 | \$ 757 | \$ 226,414 | \$ 11,482 | \$ 4,990 | \$ 414,073 |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds - Nonmajor
For the year ended March 31, 2010

| | Special Revenue Funds | | | | | Capital Projects Fund | Total other governmental funds |
|---------------------------------------|-----------------------|--------------------------------|----------------------------|-----------------------------|--------------------------------|-------------------------------|--------------------------------------|
| | Fire Fund | Property Management Fund | Drug Forfeiture Fund | Road Maintenance Fund | Snowmobile Grooming Fund | Public Improvement Fund | |
| REVENUES | | | | | | | |
| Property taxes | \$ 6,301 | \$ - | \$ - | \$ 78,194 | \$ - | \$ - | \$ 84,495 |
| State revenues | 15,612 | - | - | - | 27,032 | - | 42,644 |
| Local contributions | 20 | - | - | - | - | - | 20 |
| Charges for services | 650 | - | - | - | 6 | - | 656 |
| Rental income | - | 85,979 | - | - | - | - | 85,979 |
| Investment earnings | 3,132 | 3,096 | - | 5,452 | 166 | (10) | 11,836 |
| Reimbursements | - | - | - | - | 2,136 | - | 2,136 |
| Other | 392 | 557 | 497 | - | - | - | 1,446 |
| Total revenues | <u>26,107</u> | <u>89,632</u> | <u>497</u> | <u>83,646</u> | <u>29,340</u> | <u>(10)</u> | <u>229,212</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Public safety | 58,753 | - | - | - | - | - | 58,753 |
| Public works | - | - | - | 53,650 | - | - | 53,650 |
| Culture and recreation | - | - | - | - | 13,740 | - | 13,740 |
| Other governmental functions | - | 97,074 | - | - | - | - | 97,074 |
| Capital outlay | 21,500 | 20,239 | - | - | 11,596 | - | 53,335 |
| Total expenditures | <u>80,253</u> | <u>117,313</u> | <u>-</u> | <u>53,650</u> | <u>25,336</u> | <u>-</u> | <u>276,552</u> |
| Excess of revenues over expenditures | (54,146) | (27,681) | 497 | 29,996 | 4,004 | (10) | (47,340) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Proceeds from sale of fixed assets | - | 1,200 | - | - | - | - | 1,200 |
| Transfers in | 31,460 | - | - | - | - | - | 31,460 |
| Transfers out | - | - | - | - | (10,000) | - | (10,000) |
| Total other financing sources/(uses) | <u>31,460</u> | <u>1,200</u> | <u>-</u> | <u>-</u> | <u>(10,000)</u> | <u>-</u> | <u>22,660</u> |
| Net change in fund balances | (22,686) | (26,481) | 497 | 29,996 | (5,996) | (10) | (24,680) |
| Fund balances at April 1, 2009 | <u>96,289</u> | <u>116,240</u> | <u>260</u> | <u>196,418</u> | <u>17,463</u> | <u>5,000</u> | <u>431,670</u> |
| Fund balances at March 31, 2010 | <u>\$ 73,603</u> | <u>\$ 89,759</u> | <u>\$ 757</u> | <u>\$ 226,414</u> | <u>\$ 11,467</u> | <u>\$ 4,990</u> | <u>\$ 406,990</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Net Assets
Nonmajor Proprietary Funds
March 31, 2010

| | <u>Recreation Center</u> | <u>Parks and Recreation</u> | <u>Chippewa County Fairgrounds</u> | <u>Total</u> |
|-------------------------------------|------------------------------|---------------------------------|--|--------------------|
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 71,213 | \$ 20,058 | \$ 14,788 | \$ 106,059 |
| Inventory | 372 | - | - | 372 |
| Prepaid expenses | 1,187 | - | 1,431 | 2,618 |
| Total current assets | <u>72,772</u> | <u>20,058</u> | <u>16,219</u> | <u>109,049</u> |
| NONCURRENT ASSETS | | | | |
| Capital assets | | | | |
| Land | 5,900 | 12,400 | 139,500 | 157,800 |
| Land improvements | 64,971 | 82,888 | 336,838 | 484,697 |
| Buildings and building improvements | 212,519 | 41,036 | 672,941 | 926,496 |
| Equipment | 60,732 | - | 72,493 | 133,225 |
| Less: Accumulated depreciation | <u>(269,673)</u> | <u>(79,502)</u> | <u>(933,148)</u> | <u>(1,282,323)</u> |
| Net capital assets | <u>74,449</u> | <u>56,822</u> | <u>288,624</u> | <u>419,895</u> |
| Total assets | <u>\$ 147,221</u> | <u>\$ 76,880</u> | <u>\$ 304,843</u> | <u>\$ 528,944</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 4,670 | \$ 48 | \$ - | \$ 4,718 |
| Accrued expenses | 2,320 | 131 | 1,011 | 3,462 |
| Compensated absences | 3,606 | - | - | 3,606 |
| Total liabilities | <u>10,596</u> | <u>179</u> | <u>1,011</u> | <u>11,786</u> |
| NET ASSETS | | | | |
| Invested in capital assets | 74,449 | 56,822 | 288,624 | 419,895 |
| Unrestricted | 62,176 | 19,879 | 15,208 | 97,263 |
| Total net assets | <u>136,625</u> | <u>76,701</u> | <u>303,832</u> | <u>517,158</u> |
| Total liabilities and net assets | <u>\$ 147,221</u> | <u>\$ 76,880</u> | <u>\$ 304,843</u> | <u>\$ 528,944</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
 Nonmajor Proprietary Funds
 For the year ended March 31, 2010

| | Recreation Center | Parks and Recreation | Chippewa County Fairgrounds | Total |
|------------------------------------|----------------------|-------------------------|-----------------------------------|-------------------|
| REVENUES | | | | |
| Charges for services | \$ 21,311 | \$ 32,896 | \$ 19,528 | \$ 73,735 |
| Local revenues | 5,380 | - | - | 5,380 |
| Other revenue | 5,018 | - | 2,930 | 7,948 |
| | <u>31,709</u> | <u>32,896</u> | <u>22,458</u> | <u>87,063</u> |
| OPERATING EXPENSES | | | | |
| Wages and fringe benefits | 82,145 | 5,169 | 17,584 | 104,898 |
| Supplies | 6,473 | 912 | 860 | 8,245 |
| Utilities | 18,762 | 6,640 | 8,056 | 33,458 |
| Other services and charges | 4,532 | 6,654 | 5,909 | 17,095 |
| Repair and maintenance | 7,731 | 3,969 | 3,911 | 15,611 |
| Other expenses | 19,840 | 494 | - | 20,334 |
| Depreciation | 16,874 | 4,808 | 31,814 | 53,496 |
| | <u>156,357</u> | <u>28,646</u> | <u>68,134</u> | <u>253,137</u> |
| Total operating expenses | | | | |
| | <u>156,357</u> | <u>28,646</u> | <u>68,134</u> | <u>253,137</u> |
| Operating income/(loss) | (124,648) | 4,250 | (45,676) | (166,074) |
| NONOPERATING REVENUES | | | | |
| Investment earnings | 3,626 | 434 | 731 | 4,791 |
| Net income (loss) before transfers | (121,022) | 4,684 | (44,945) | (161,283) |
| TRANSFERS | | | | |
| Operating transfers in | 77,035 | - | 22,975 | 100,010 |
| Operating transfers out | - | - | - | - |
| Net transfers | <u>77,035</u> | <u>-</u> | <u>22,975</u> | <u>100,010</u> |
| Change in net assets | (43,987) | 4,684 | (21,970) | (61,273) |
| Net assets at April 1, 2009 | <u>180,612</u> | <u>72,017</u> | <u>325,802</u> | <u>578,431</u> |
| Net assets at March 31, 2010 | <u>\$ 136,625</u> | <u>\$ 76,701</u> | <u>\$ 303,832</u> | <u>\$ 517,158</u> |

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the year ended March 31, 2010

| | Recreation Center | Parks and Recreation | Chippewa County Fairgrounds | Total |
|---|----------------------|-------------------------|-----------------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 31,709 | \$ 32,896 | \$ 22,873 | \$ 87,478 |
| Payments to suppliers | (56,370) | (18,621) | (19,283) | (94,274) |
| Payments to employees | (80,754) | (5,039) | (17,566) | (103,359) |
| Net cash provided by operating activities | (105,415) | 9,236 | (13,976) | (110,155) |
| CASH FLOWS FROM/(FOR) NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | 77,035 | - | 22,975 | 100,010 |
| Transfers to other funds | - | - | - | - |
| Net cash provided by noncapital financing activities | 77,035 | - | 22,975 | 100,010 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | - | - | (18,910) | (18,910) |
| Net cash used by capital and related financing activities | - | - | (18,910) | (18,910) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Investment earnings | 3,626 | 434 | 731 | 4,791 |
| Net cash provided by financing activities | 3,626 | 434 | 731 | 4,791 |
| Net increase in cash and investments | (24,754) | 9,670 | (9,180) | (24,264) |
| Cash and investments at April 1, 2009 | 95,967 | 10,388 | 23,968 | 130,323 |
| Cash and investments at March 31, 2010 | \$ 71,213 | \$ 20,058 | \$ 14,788 | \$ 106,059 |
| Reconciliation of operating loss to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (124,648) | \$ 4,250 | \$ (45,676) | \$ (166,074) |
| Adjustments to reconcile operating income/(loss) to net cash provided by/(used for) operating activities: | | | | |
| Depreciation expense | 16,874 | 4,808 | 31,814 | 53,496 |
| Change in assets and liabilities | | | | |
| (Increase)/decrease in receivables | - | - | 415 | 415 |
| (Increase)/decrease in prepaid expenses | (21) | - | (25) | (46) |
| (Increase)/decrease in inventory | 896 | - | - | 896 |
| Increase/(decrease) in accounts payable | 93 | 48 | (522) | (381) |
| Increase/(decrease) in accrued expenses | 561 | 130 | 18 | 709 |
| Increase/(decrease) in compensated absences | 830 | - | - | 830 |
| Net cash provided by operating activities | \$ (105,415) | \$ 9,236 | \$ (13,976) | \$ (110,155) |

The accompanying notes are an integral part of this statement.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 13, 2009
Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of and for the year ended March 31, 2010, which collectively comprise the Township's basic financial statements and have issued my report thereon dated August 13, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Kinross' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Kinross' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter Township of Kinross' internal control over financial reporting.

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 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 Charter Township of Kinross' internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that I consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Kinross' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses.

I noted certain matters that I reported to management of the Charter Township of Kinross, in a separate letter August 13, 2010.

The Charter Township of Kinross' response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Charter Township of Kinross' response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Township Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lake Michigan CPA Services, PLLC".

Ludington, Michigan
August 13, 2010

Schedule of Findings and Responses

Finding #1: During my testing of Ambulance billings, I found that a detailed sub-ledger of receivables was not maintained by the Township. The Township contracts with a local hospital to bill Ambulance services and to keep track of individual customer balances. The Township receives summary totals of billings and collections on a non-periodic basis. The Township occasionally received detailed ledgers of outstanding bills, but these detailed sheets are not reconciled by Township staff. Furthermore, I noted that the vendor keeping track of outstanding receivables was not able to produce a cut-off statement for the end of the Township's fiscal year. The Township should designate an internal employee to oversee and reconcile the Ambulance receipts and receivables in order to accurately record revenues and outstanding amounts due to the Township.

Township response:

The Township plans to implement the following plan regarding the oversight of ambulance service billing:

- 1.) Get updated list of accounts with balances from ambulance billing service.
- 2.) Input the account information into a Township computer software program.
- 3.) Input all charges, payments, and write-offs as they come in.
- 4.) Double check information against payment batches received from ambulance billing service.
- 5.) Balance the department's records against the monthly account list received from the ambulance billing service.
- 6.) The information for ambulance runs and intercept charges (including insurance information on each run), write-offs, and the balanced account list will be forwarded to the Accounting Department monthly.

The ambulance billing service, Physician's Billing, has recently updated its billing software so they should now be able to send monthly reports that have a cut-off date as of the end of each month.

The above plan will be implemented by the EMS Director. The Township Supervisor will follow up with the EMS Director monthly to ensure the records are kept current.

Finding #2: During my examination of the cash receipting process, I noted that individuals who were accepting cash receipts were responsible for both receipting and recording transactions without a reviewer. I recommend that all cash drawers be counted by a person independent of that cash drawer at the end of the day and that this count be checked against daily receipts.

Township response:

Kinross Charter Township proposes the following plan to be implemented by all departments receiving/receipting cash:

- 1.) Each person receiving/receipting money shall have someone else count their cash drawer at the end of the day, prior to depositing of funds with bank. This shall include cash as well as check payments.
- 2.) The person counting/verifying these funds shall initial and date the deposit slip that corresponds with the cash drawer being counted.