

Charter Township of Kinross
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2014

Charter Township of Kinross

List of Elected Officials

Supervisor:	Jim Moore
Clerk:	Sheila Gaines
Treasurer:	Luanne Kooiman-Kauer
Trustee:	Ryan Fountain
Trustee:	Kathy Noel
Trustee:	Marvin Besteman
Trustee:	Dan Mitchell

Charter Township of Kinross

Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities	12
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	16
Proprietary Funds	
Statement of Net Position.....	17
Statement of Revenues, Expenses and Changes in Fund Net Position.....	18
Statement of Cash Flows.....	19
Statement of Fiduciary Assets and Liabilities	20
Notes to the Financial Statements	21-35
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	36
Budgetary Comparison Schedule—Ambulance Fund	37
Budgetary Comparison Schedule—Police Fund	38
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds.....	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds.....	40
Combining Statement of Net Postion - Nonmajor Proprietary Funds.....	41
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds.....	42
Combining Statement of Cash Flows - Nonmajor Proprietary Funds.....	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45



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INDEPENDENT AUDITORS' REPORT

September 18, 2014

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We 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, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 36-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our 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 individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
September 18, 2014

Charter Township of Kinross

Management's Discussion and Analysis

Using this Annual Report

The management of the Charter Township of Kinross, Michigan offers the readers of our financial statement this narrative overview and analysis of the financial activities of the Township for the fiscal year ending March 2014.

This annual report consists of a series of financial statements. The Statement of Net Position 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. The Charter Township of Kinross, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The Township as a Whole

Net Position

The Township's total net position decreased by \$7,294 to \$10,163,051 at March 31, 2014. As we look at the governmental activities separately from the business-type activities, we note that business activities decreased \$58,441 while governmental activities increased \$51,147.

Assets

The Township's total assets increased compared to the prior fiscal year, by almost 2%. Governmental assets increased, due mainly to the purchase of two new vehicles in the ambulance department totaling \$212,550. In the business-type activities, total assets decreased by \$43,923.

Charter Township of Kinross

Management's Discussion and Analysis

Total Cash and Investments

The Township's total cash and investments have increased by \$171,025, or about 8%, from March 31, 2013 to March 31, 2014. The General Fund experienced one of the largest increases of all the departments, with the operating cash balance increasing by over 11%. The results weren't positive for all departments, however, with the Recreation Center ending the fiscal year with about a third of what it had at the start of the year. For most departments, Management generally feels that cash levels are sufficient to meet Township needs for the immediate future.

Liabilities

The Township's total liabilities increased by \$200,350 over the previous fiscal year, which includes a new capital lease for ambulance vehicles. The current long-term debt level is still 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 position for the years ending March 31, 2014 and March 31, 2013.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
ASSETS						
Current	\$ 1,793,282	\$ 1,633,233	\$ 1,298,890	\$ 1,270,581	\$ 3,092,172	\$ 2,903,814
Noncurrent	2,032,622	1,955,692	5,648,145	5,720,377	7,680,767	7,676,069
Total Assets	\$ 3,825,904	\$ 3,588,925	\$ 6,947,035	\$ 6,990,958	\$ 10,772,939	\$ 10,579,883
LIABILITIES						
Current	\$ 133,669	\$ 87,720	\$ 131,374	\$ 106,907	\$ 265,043	\$ 194,627
Noncurrent	208,021	68,138	136,824	146,773	344,845	214,911
Total Liabilities	\$ 341,690	\$ 155,858	\$ 268,198	\$ 253,680	\$ 609,888	\$ 409,538
Net Position						
Invested in capital assets, net of related debt	\$ 1,810,654	\$ 1,908,526	\$ 5,567,145	\$ 5,627,377	\$ 7,377,799	\$ 7,535,903
Restricted	275,972	219,721	2,367	4,172	278,339	223,893
Unrestricted	1,397,588	1,304,820	1,109,325	1,105,729	2,506,913	2,410,549
Total Net Position	\$ 3,484,214	\$ 3,433,067	\$ 6,678,837	\$ 6,737,278	\$ 10,163,051	\$ 10,170,345

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, 2014 and March 31, 2013.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Charges for services	\$ 1,712,747	1,786,710	\$ 2,005,574	1,978,920	\$ 3,718,321	3,765,630
Operating grants and contributions	80,735	18,582	107,138	53,948	187,873	72,530
General Revenues						
Property taxes	316,678	325,869	-	-	316,678	325,869
Unrestricted grants & contributions	452,359	442,659	-	-	452,359	442,659
Gain/(loss) on sale of capital assets	(8,183)	(32,340)	21,000	24,429	12,817	(7,911)
Investment earnings & other revenues	20,237	42,006	99,750	132,580	119,987	174,586
Total Revenues	2,574,573	2,583,486	2,233,462	2,189,877	4,808,035	4,773,363
Program Expenses						
General government	362,730	381,852	-	-	362,730	381,852
Public safety	343,401	337,605	-	-	343,401	337,605
Public works	3,159	96,639	-	-	3,159	96,639
Community and economic development	8,898	4,629	-	-	8,898	4,629
Health and welfare	1,508,681	1,446,951	-	-	1,508,681	1,446,951
Culture and recreation	-	262	-	-	-	262
Other	122,126	101,186	-	-	122,126	101,186
Interest	8,682	3,397	-	-	8,682	3,397
Recreation Center	-	-	146,284	135,951	146,284	135,951
Parks and Recreation	-	-	19,143	21,952	19,143	21,952
Chippewa County						
Fairgrounds	-	-	67,482	53,255	67,482	53,255
Golf Course	-	-	290,792	305,525	290,792	305,525
Sewer	-	-	1,459,142	1,344,615	1,459,142	1,344,615
Water	-	-	338,222	413,411	338,222	413,411
Rubbish Collection	-	-	136,587	135,745	136,587	135,745
Total Expenses	2,357,677	2,372,521	2,457,652	2,410,454	4,815,329	4,782,975
Transfers	(165,749)	(205,210)	165,749	205,210	-	-
Changes in net position	51,147	5,755	(58,441)	(15,367)	(7,294)	(9,612)
Net position						
April 1	3,433,067	3,427,312	6,737,278	6,752,645	10,170,345	10,179,957
March 31	\$ 3,484,214	3,433,067	\$ 6,678,837	6,737,278	\$ 10,163,051	10,170,345

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 2014 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund, Sewer Fund and Water 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, and Public Improvement funds.

The Township's governmental revenues were stable from 2013 to 2014, up less than .4% from the prior year. This is seen as a positive as the Township was able to maintain the 10+% year over year increase in governmental revenues that we experienced last year.

Expenditures increased by \$168,055 or 7.3% over the prior year, lead by a Capital Outlay purchase in the Ambulance Department of the aforementioned vehicle purchase. The spending on General Government has dropped for the fourth year in a row. We had no spending on road paving in the 2014 FY, but that will change in the following year with several projects scheduled for the summer of 2014.

Charter Township of Kinross

Management's Discussion and Analysis

Business-Type Activities

The Township's business-type activities include the Sewer and Water Funds, Golf Course, Fairgrounds, the Recreation Center, the Rubbish Collection Fund and the Parks department. The three largest funds, which are major funds for the 2014 fiscal year, are the Golf Course, Sewer Fund and Water Fund. These funds, while not statutorily required under Michigan Law, are used in the public interest to separately account for the finances of these activities.

Sewer and Water Departments

The Sewer and Water Departments currently have a 10-year capital improvement plan that includes over \$3.7 million in equipment purchases and upgrades. It was determined in 2013 that a rate increase was necessary to begin preparing financially for these planned expenditures. The majority of the cost of these improvements is in the Sewer Fund. The Water Fund was determined to have sufficient funds set aside. Therefore the Township decided to reduce the water rate in conjunction with the sewer rate increase in order to ease the burden of the rate increase to our residents.

The Water Fund experienced a 21% decrease in revenue as a result of the water rate reduction. However, expenses were down by 18% and the Water Fund still generated a surplus of revenue for the fiscal year. The Sewer Fund increased revenue by 15%, primarily from the sewer rate increase. Expenses were also up, with the majority of the increase being in the areas of utilities, engineering fees, wages, and employee benefits.

Golf Course

Golf fee revenue was up in FY 2014 by about \$6,200 over the year before. This halted a string of year over year declines in revenue that saw a 47% decrease in daily and annual fees over the span of seven years. Daily and annual greens fees alone were up over 21%. Expenses were down almost 5% from FY 2013 but this combination of higher revenue and lower expenses was not enough to bring the golf course to self-sufficiency. A subsidy from the General Fund of \$102,106, including \$30,000 for equipment, was needed. The course now has a new manager, a change that was made with the hope of improved financial results.

Charter Township of Kinross

Management's Discussion and Analysis

Recreation Center

After two years of decreases in expenses, the Recreation Center Fund experienced an increase in total expenses due primarily to increases in wages and to pay for heat for an especially cold winter. The primary source of funding has historically been an annual appropriation from the General Fund, but an additional source of financial support is needed. A long-term agreement for ongoing financial support from the Sault Tribe is being sought. We are also planning to put a recreation millage request on the ballot. If we are able to obtain either of these it will provide an important measure of financial stability for the Recreation Center Fund.

General Budgetary Highlights

Significant budget adjustments were needed this year. Adjustments made included a capital lease for two ambulances, Ambulance Fund bad debt, water main, sewer system maintenance, golf course equipment, and road improvements done near the airport that was cost-shared with the Chippewa County EDC.

Since State revenue sharing is the largest single revenue item in the General Fund, we follow any changes made to this program by the State Legislature very closely. The increase that we saw this year was slightly more than the rate of inflation, but still over 8% less than the amount we received five years ago. The portion of revenue sharing referred to as EVIP (Economic Vitality Incentive Program) was changed beginning with the State's fiscal year that begins October 1, 2014. Two of the three reports required of the Township were eliminated, making compliance less time-consuming. The Township met all the requirements during 2013-14 and received the maximum amount of EVIP revenue from the State.

Charter Township of Kinross

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the 2014 fiscal year the Township had \$7,680,767 (net of depreciation) invested in a broad range of capital assets, including land, buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The major asset transactions included a new heat exchanger and water main for the Sewer and Water Departments, two vehicles for the Ambulance Department, and three pieces of used equipment for the Golf Course. The total bonds and leases payable owed by the Township at March 31, 2014 was \$302,968 as of March 31, 2014, compared to \$140,166 at March 31, 2013. The increase is due to the capital lease on the two ambulance vehicles. Compensated absences totaled \$112,163 at March 31, 2014.

Future Considerations and Economic Factors

Kinross Charter Township has acquired property along M-80 that was the site of the former steam plant from the State of Michigan. Possible uses for the property are a building site for a new Fire/EMS/Police building, or for future economic development.

The Kinross Township Recreation Center was awarded a grant from the Township's liability insurance carrier, Michigan Township Participating Plan. The grant was used to install a security camera system to improve safety at the Recreation Center. A donation was also received from a township resident toward this project.

In May 2014 the Township sold a parcel of vacant land on M-80 to Family Dollar. They have begun to build a new store on the 1.8 acre site. We are looking forward to this addition to the community's commercial district.

Kinross Township is looking to update its recreation plan and expand access to Duke Lake. This lake is a beautiful recreation area in the Township that is currently underutilized. The Township Board is planning to present a millage request to voters to ask for 2.0 mills for recreation that could be used for this purpose and for other recreation activities in the community.

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, investors, and creditors 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 Board at 4884 West Curtis Street, Kincheloe, MI 49788.

Charter Township of Kinross

Statement of Net Position March 31, 2014

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,255,249	\$ 1,042,763	\$ 2,298,012
Restricted cash	-	2,367	2,367
Receivables	467,417	193,450	660,867
Due from other governmental units	46,596	-	46,596
Internal balances	29	-	29
Prepaid expenses	23,991	33,674	57,665
Inventory	-	26,636	26,636
Total current assets	1,793,282	1,298,890	3,092,172
NONCURRENT ASSETS			
Non-depreciable	458,593	487,314	945,907
Depreciable, net of accumulated depreciation	1,574,029	5,160,831	6,734,860
Total noncurrent assets	2,032,622	5,648,145	7,680,767
Total assets	\$ 3,825,904	\$ 6,947,035	\$ 10,772,939

LIABILITIES AND NET POSITION

CURRENT LIABILITIES			
Accounts payable	\$ 30,414	\$ 80,740	\$ 111,154
Accrued expenses and other liabilities	44,524	38,634	83,158
Deferred revenue	445	-	445
Leases payable, due within one year	58,286	-	58,286
Bonds payable, due within one year	-	12,000	12,000
Total current liabilities	133,669	131,374	265,043
NONCURRENT LIABILITIES			
Leases payable	163,682	-	163,682
Bonds payable	-	69,000	69,000
Compensated absences	44,339	67,824	112,163
Total noncurrent liabilities	208,021	136,824	344,845
Total liabilities	341,690	268,198	609,888
NET POSITION			
Invested in capital assets, net of related debt	1,810,654	5,567,145	7,377,799
Restricted	275,972	2,367	278,339
Unrestricted	1,397,588	1,109,325	2,506,913
Total net position	\$ 3,484,214	\$ 6,678,837	\$ 10,163,051

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Activities For the year ended March 31, 2014

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
General government	\$ 362,730	\$ 23,588	\$ -	\$ (339,142)		\$ (339,142)
Public safety	343,401	236,365	30,735	(76,301)		(76,301)
Public works	3,159	-	-	(3,159)		(3,159)
Community and economic development	8,898	-	-	(8,898)		(8,898)
Health and welfare	1,508,681	1,359,827	-	(148,854)		(148,854)
Other governmental functions	122,126	92,967	50,000	20,841		20,841
Interest on long-term debt	8,682	-	-	(8,682)		(8,682)
Total governmental activities	<u>2,357,677</u>	<u>1,712,747</u>	<u>80,735</u>	<u>(564,195)</u>		<u>(564,195)</u>
Business-type activities:						
Recreation Center	146,284	20,389	24,001		(101,894)	(101,894)
Parks and Recreation	19,143	19,574	-		431	431
Chippewa County Fairgrounds	67,482	20,339	-		(47,143)	(47,143)
Golf Course	290,792	206,103	-		(84,689)	(84,689)
Sewer	1,459,142	1,279,069	74,363		(105,710)	(105,710)
Water	338,222	316,638	8,774		(12,810)	(12,810)
Rubbish Collection	136,587	143,462	-		6,875	6,875
Total business-type activities	<u>2,457,652</u>	<u>2,005,574</u>	<u>107,138</u>		<u>(344,940)</u>	<u>(344,940)</u>
Total government	<u>\$ 4,815,329</u>	<u>\$ 3,718,321</u>	<u>\$ 187,873</u>	\$ (564,195)	(344,940)	(909,135)
General revenues						
Property taxes, levied for general purposes				123,883	-	123,883
Property taxes, levied for specific purposes				192,795	-	192,795
Grants and contributions not restricted to specific programs				452,359	-	452,359
Unrestricted investment earnings				18,252	6,560	24,812
Gain/(loss) on sale of capital assets				(8,183)	21,000	12,817
Miscellaneous				1,985	93,190	95,175
Transfers				(165,749)	165,749	-
Total general revenues				<u>615,342</u>	<u>286,499</u>	<u>901,841</u>
Change in net position				51,147	(58,441)	(7,294)
Net position at April 1, 2013				<u>3,433,067</u>	<u>6,737,278</u>	<u>10,170,345</u>
Net position at March 31, 2014				<u>\$ 3,484,214</u>	<u>\$ 6,678,837</u>	<u>\$ 10,163,051</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Balance Sheet
Governmental Funds
March 31, 2014

ASSETS

	General Fund	Ambulance Fund	Police Fund	Other governmental funds	Total governmental funds
ASSETS					
Cash and investments	\$ 557,536	\$ 69,946	\$ 194,841	\$ 432,926	\$ 1,255,249
Receivables					
Accounts, net of allowances	266	382,091	-	13,152	395,509
Interest	13,894	-	1,956	8,183	24,033
Taxes and special assessments	9,666	9,517	21,554	7,138	47,875
Due from other governmental units	33,156	-	13,440	-	46,596
Due from other funds	29	-	-	-	29
Prepaid expenses	5,774	10,075	4,891	3,251	23,991
Total assets	<u>\$ 620,321</u>	<u>\$ 471,629</u>	<u>\$ 236,682</u>	<u>\$ 464,650</u>	<u>\$ 1,793,282</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$ 11,791	\$ 13,200	\$ 1,102	\$ 4,321	\$ 30,414
Accrued expenses and other liabilities	8,199	27,062	7,767	1,496	44,524
Deferred revenue	-	270,945	-	445	271,390
Total liabilities	<u>19,990</u>	<u>311,207</u>	<u>8,869</u>	<u>6,262</u>	<u>346,328</u>
FUND BALANCES					
Nonspendable	5,774	10,075	4,891	3,251	23,991
Restricted	-	-	-	275,972	275,972
Committed	144,807	-	-	16,149	160,956
Assigned	-	150,347	222,922	163,016	536,285
Unassigned	449,750	-	-	-	449,750
Total fund balances	<u>600,331</u>	<u>160,422</u>	<u>227,813</u>	<u>458,388</u>	<u>1,446,954</u>
Total liabilities and fund balances	<u>\$ 620,321</u>	<u>\$ 471,629</u>	<u>\$ 236,682</u>	<u>\$ 464,650</u>	<u>\$ 1,793,282</u>

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 Position March 31, 2014

Total fund balance—governmental funds \$ 1,446,954

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Cost of capital assets	\$ 6,160,372	
Accumulated depreciation	<u>(4,127,750)</u>	2,032,622

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

270,945

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	(221,968)	
Compensated absences	<u>(44,339)</u>	(266,307)

Net position of governmental activities
in the Statement of Net Position

\$ 3,484,214

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, 2014

	General Fund	Ambulance Fund	Police Fund	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 123,883	\$ 102,417	\$ -	\$ 90,378	\$ 316,678
Special assessments	-	-	197,421	-	197,421
State revenues	452,359	-	5,835	24,900	483,094
Local contributions	-	-	-	50,000	50,000
Charges for services	6,464	1,312,406	35,389	3,180	1,357,439
Rental income	-	-	-	92,967	92,967
Licenses and permits	20	-	-	-	20
Investment earnings	7,744	414	2,783	7,311	18,252
Reimbursements	17,104	26,995	-	375	44,474
Other	4	1,981	-	-	1,985
Total revenues	<u>607,578</u>	<u>1,444,213</u>	<u>241,428</u>	<u>269,111</u>	<u>2,562,330</u>
EXPENDITURES					
Current:					
General government	315,963	-	-	-	315,963
Public safety	165	-	244,765	85,619	330,549
Public works	3,159	-	-	-	3,159
Community and economic development	8,898	-	-	-	8,898
Health and welfare	-	1,423,271	-	-	1,423,271
Culture and recreation	-	-	-	-	-
Other governmental functions	9,380	-	-	88,181	97,561
Debt service					
Principal	-	20,198	-	-	20,198
Interest	-	8,682	-	-	8,682
Capital outlay	-	212,550	-	53,987	266,537
Total expenditures	<u>337,565</u>	<u>1,664,701</u>	<u>244,765</u>	<u>227,787</u>	<u>2,474,818</u>
Excess of revenues over (under) expenditures	<u>270,013</u>	<u>(220,488)</u>	<u>(3,337)</u>	<u>41,324</u>	<u>87,512</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of fixed assets	-	15,000	-	-	15,000
Proceeds from capital lease	-	195,000	-	-	195,000
Transfers in	-	-	-	55,346	55,346
Transfers out	(221,095)	-	-	-	(221,095)
Total other financing sources (uses)	<u>(221,095)</u>	<u>210,000</u>	<u>-</u>	<u>55,346</u>	<u>44,251</u>
Net change in fund balances	48,918	(10,488)	(3,337)	96,670	131,763
Fund balance at April 1, 2013	<u>551,413</u>	<u>\$ 170,910</u>	<u>\$ 231,150</u>	<u>\$ 361,718</u>	<u>\$ 1,315,191</u>
Fund balance at March 31, 2014	<u>\$ 600,331</u>	<u>\$ 160,422</u>	<u>\$ 227,813</u>	<u>\$ 458,388</u>	<u>\$ 1,446,954</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, 2014

Net changes in fund balances - total governmental funds \$ 131,763

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	(166,424)	
Capital outlay	<u>266,537</u>	100,113

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	(15,000)	
Loss on sale of fixed assets	<u>(8,183)</u>	(23,183)

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

20,426

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.

The proceeds from leases payable is an other financing source in the governmental funds, but increases long-term liabilities in the Statement of Net Position		(195,000)
---	--	-----------

Repayment of principal on long-term debt is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		20,198
---	--	--------

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

(3,170)

Change in net position of governmental activities		<u>\$ 51,147</u>
---	--	------------------

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Net Position Proprietary Funds March 31, 2014

	Business-type Activities - Enterprise Funds				Total
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	
CURRENT ASSETS					
Cash and investments					
Unrestricted	\$ 34,882	\$ 368,873	\$ 555,902	\$ 83,106	\$ 1,042,763
Restricted	2,367	-	-	-	2,367
Accounts receivable					
Trade	-	127,806	29,365	23,602	180,773
Interest	397	4,688	7,592	-	12,677
Inventory	25,666	-	-	970	26,636
Prepaid expenses	2,581	22,938	5,309	2,846	33,674
Total current assets	<u>65,893</u>	<u>524,305</u>	<u>598,168</u>	<u>110,524</u>	<u>1,298,890</u>
NONCURRENT ASSETS					
Capital assets					
Land	310,000	13,270	6,244	157,800	487,314
Land improvements	1,266,452	138,940	78,415	491,648	1,975,455
Buildings and building improvements	330,358	4,419,776	1,113,843	897,910	6,761,887
Equipment	707,147	909,530	346,356	139,509	2,102,542
State projects	-	870,038	281,359	-	1,151,397
Water system	-	-	1,617,160	-	1,617,160
Sewer system	-	3,266,918	-	-	3,266,918
Less: accumulated depreciation	<u>(1,679,497)</u>	<u>(5,989,306)</u>	<u>(2,640,059)</u>	<u>(1,405,666)</u>	<u>(11,714,528)</u>
Net capital assets	<u>934,460</u>	<u>3,629,166</u>	<u>803,318</u>	<u>281,201</u>	<u>5,648,145</u>
Total assets	<u>\$ 1,000,353</u>	<u>\$ 4,153,471</u>	<u>\$ 1,401,486</u>	<u>\$ 391,725</u>	<u>\$ 6,947,035</u>
CURRENT LIABILITIES					
Accounts payable	\$ 7,503	\$ 48,880	\$ 8,422	\$ 15,935	\$ 80,740
Accrued expenses and other liabilities	4,104	24,238	5,904	4,388	38,634
Due to other funds	-	-	-	-	-
Bonds payable, due within one year	12,000	-	-	-	12,000
Total current liabilities	<u>23,607</u>	<u>73,118</u>	<u>14,326</u>	<u>20,323</u>	<u>131,374</u>
NONCURRENT LIABILITIES					
Bonds payable	69,000	-	-	-	69,000
Compensated absences	9,772	53,575	-	4,477	67,824
Total noncurrent liabilities	<u>78,772</u>	<u>53,575</u>	<u>-</u>	<u>4,477</u>	<u>136,824</u>
Total liabilities	<u>102,379</u>	<u>126,693</u>	<u>14,326</u>	<u>24,800</u>	<u>268,198</u>
NET POSITION					
Invested in capital assets, net of related debt	853,460	3,629,166	803,318	281,201	5,567,145
Restricted	2,367	-	-	-	2,367
Unrestricted	42,147	397,612	583,842	85,724	1,109,325
Total net position	<u>897,974</u>	<u>4,026,778</u>	<u>1,387,160</u>	<u>366,925</u>	<u>6,678,837</u>
Total liabilities and net position	<u>\$ 1,000,353</u>	<u>\$ 4,153,471</u>	<u>\$ 1,401,486</u>	<u>\$ 391,725</u>	<u>\$ 6,947,035</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended March 31, 2014

	Business-type Activities - Enterprise Funds				Total
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	
REVENUES					
Charges for services	\$ 206,103	\$ 1,279,069	\$ 316,638	\$ 203,764	\$ 2,005,574
State grants	-	74,363	8,774	-	83,137
Local revenues	-	-	-	24,001	24,001
Other revenue	2,637	38,476	38,658	13,419	93,190
	208,740	1,391,908	364,070	241,184	2,205,902
OPERATING EXPENSES					
Wages and fringe benefits	138,952	663,937	90,302	109,406	1,002,597
Supplies	19,241	107,996	14,992	7,546	149,775
Utilities	16,855	159,181	90,049	34,803	300,888
Other services and charges	43,311	188,596	32,783	164,306	428,996
Repair and maintenance	33,363	112,694	23,521	11,746	181,324
Other expenses	175	13,593	5,098	7,540	26,406
Depreciation	34,720	213,145	81,477	34,149	363,491
	286,617	1,459,142	338,222	369,496	2,453,477
Total operating expenses					
Operating loss	(77,877)	(67,234)	25,848	(128,312)	(247,575)
NONOPERATING REVENUES (EXPENSES)					
Gain/(loss) on disposition of assets	-	15,254	5,746	-	21,000
Interest expense	(4,175)	-	-	-	(4,175)
Investment earnings	961	326	2,617	2,656	6,560
Total non-operating revenues (expenses)	(3,214)	15,580	8,363	2,656	23,385
Net income loss before transfers	(81,091)	(51,654)	34,211	(125,656)	(224,190)
TRANSFERS					
Transfers in	102,106	-	-	63,643	165,749
Change in net position	21,015	(51,654)	34,211	(62,013)	(58,441)
Net position at April 1, 2013	876,959	\$ 4,078,432	\$ 1,352,949	\$ 428,938	\$ 6,737,278
Net position at March 31, 2014	\$ 897,974	\$ 4,026,778	\$ 1,387,160	\$ 366,925	\$ 6,678,837

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, 2014

CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds				
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	Total
Receipts from customers	\$ 208,343	\$ 1,372,057	\$ 371,078	\$ 241,635	\$ 2,193,113
Payments to suppliers	(93,664)	(557,099)	(173,915)	(226,034)	(1,050,712)
Payments to employees	(138,693)	(658,209)	(91,470)	(108,529)	(996,901)
Net cash provided by (used for) operating activities	(24,014)	156,749	105,693	(92,928)	145,500
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net transfers from other funds	102,106	-	-	63,643	165,749
Net cash provided by noncapital financing activities	102,106	-	-	63,643	165,749
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(29,999)	(237,089)	(106,892)	(17,193)	(391,173)
Proceeds from sales of capital assets	-	83,196	37,718	-	120,914
Principal paid on long-term debt	(12,000)	-	-	-	(12,000)
Interest paid on long-term debt	(4,175)	-	-	-	(4,175)
Net cash used for capital and related financing activities	(46,174)	(153,893)	(69,174)	(17,193)	(286,434)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	961	326	2,617	2,656	6,560
Net cash provided by financing activities	961	326	2,617	2,656	6,560
Net increase (decrease) in cash and investments	32,879	3,182	39,136	(43,822)	31,375
Cash and investments at April 1, 2013	4,370	\$ 365,691	\$ 516,766	126,928	1,013,755
Cash and investments at March 31, 2014	\$ 37,249	\$ 368,873	\$ 555,902	\$ 83,106	\$ 1,045,130
Reconciliation of operating loss to net cash provided by/(used for) operating activities					
Operating loss	\$ (77,877)	\$ (67,234)	\$ 25,848	\$ (128,312)	\$ (247,575)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation expense	34,720	213,145	81,477	34,149	363,491
Change in assets and liabilities					
(Increase)/decrease in receivables	(397)	(19,851)	7,008	451	(12,789)
(Increase)/decrease in prepaid expenses	(226)	(917)	(287)	(192)	(1,622)
(Increase)/decrease in inventory	17,485	-	-	(8)	17,477
Increase/(decrease) in accounts payable	2,022	25,878	(7,185)	107	20,822
Increase/(decrease) in accrued expenses and other liabilities	(13)	4,536	(1,168)	290	3,645
Increase/(decrease) in compensated absences	272	1,192	-	587	2,051
Net cash provided by operating activities	\$ (24,014)	\$ 156,749	\$ 105,693	\$ (92,928)	\$ 145,500

Cash paid for interest for the year ended March 31, 2014 was \$4,175.

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, 2014

	Current Tax Collection Fund	Personal Property Tax Collection Fund	Total
ASSETS			
Cash and investments	\$ 336	\$ 96	\$ 432
Total assets	<u>\$ 336</u>	<u>\$ 96</u>	<u>\$ 432</u>
LIABILITIES			
Due to other funds	\$ 18	\$ 11	\$ 29
Due to other governmental units	<u>318</u>	<u>85</u>	<u>403</u>
Total liabilities	<u>\$ 336</u>	<u>\$ 96</u>	<u>\$ 432</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Kinross have been prepared to conform to 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 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 2014 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 the Township. The board is appointed by the Charter Township Kinross' 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 Corporation during the 2014 fiscal year.

Kinross Brownfield Redevelopment Authority – The Authority is a legally separate entity, which is governed by a board appointed by the Township Board of Trustees. The Authority is financially accountable to the Township. There was no activity in the Authority during the 2014 fiscal year.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government 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.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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

Separate financial statements are provided for governmental funds, 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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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.

The Township reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation of the Township sewage treatment services residents of the Kincheloe, Michigan area.

The Water Fund accounts for the operation of the Township water system.

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.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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.

D. Assets, liabilities and net position 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).

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

The 2013 state taxable value for property within the Township totaled approximately \$45,295,632. The property tax levied consisted of 1.65 mills for the Township's operating purposes, 1.5 mill for road improvements, and 2 mills for EMS services, recorded in the General Fund, Road Fund, and Ambulance 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.

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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 4 hours every two weeks. 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 60 days for employees hired prior to January 1, 2000 and up to 10 days for employees hired on or after January 1, 2000.

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.

9. Fund Equity

In the fund financial statements, governmental funds report fund balance in one of the following categories:

Nonspendable fund balances are not spendable in form and are required to be maintained intact.

Restricted fund balances are amounts that are constrained to a specific purpose through enabling legislation

Committed fund balances are constrained to a specific purpose by the township through an act of its highest decision-making authority, the Township Board.

Assigned fund balances represent amounts that the Township intends to use for a specific purpose.

Unassigned fund balances are amounts that are available for any purpose.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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, 2014

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2014, the Township's deposits and investments were as follows:

	Primary Government	Fiduciary Funds	
Cash and cash equivalents	\$ 928,403	\$ 432	
Investments	1,371,976	-	
Total	\$ 2,300,379	\$ 432	

Cash of \$2,367 is restricted in the Golf Course Fund for purposes of repaying the 2004 capital improvement bonds.

The Township investments at March 31, 2014 consisted of the following:

Investment Type	Fair Value	Average Maturity (Months)	Rating (Moody's)	Percent of Total Investments
Negotiable certificate of deposit, interest at 3.5%	79,139	84	Not rated	5.8%
U.S. agency obligations	1,184,377	298	AA+/Aaa/AAA	86.3%
Asset and mortgage backed corporate bonds	108,460	360	Not rated	7.9%
TOTAL	1,371,976			100%

Portfolio weighted average maturity 291 months

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.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

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, 2014, \$502,367 of the Township's bank deposits were covered by federal depository insurance, and \$753,440 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, 2014, \$1,292,837,139 of the Township's investments were exposed to custodial credit risk and \$79,139 was covered by federal depository insurance.

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, 2014

B. Capital assets

Capital asset activity for the year ended March 31, 2014 was as follows:

	Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 417,380	\$ 50,000	\$ 8,787	\$ 458,593
Capital assets, being depreciated				
Land improvements	\$ 326,811	\$ -	\$ -	\$ 326,811
Buildings and improvements	3,202,421	3,987	-	3,206,408
Equipment	1,009,797	-	-	1,009,797
Office equipment	122,221	-	-	122,221
Vehicles	940,045	212,550	116,053	1,036,542
Total capital assets being depreciated	5,601,295	216,537	116,053	5,701,779
Less: accumulated depreciation	4,062,983	166,424	101,657	4,127,750
Net capital assets, being depreciated	1,538,312	50,113	14,396	1,574,029
Total governmental capital assets	<u>\$ 1,955,692</u>	<u>\$ 100,113</u>	<u>\$ 23,183</u>	<u>\$ 2,032,622</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 487,314	\$ -	\$ -	\$ 487,314
Capital assets, being depreciated				
Land improvements	\$ 1,968,504	\$ 6,951	\$ -	\$ 1,975,455
Buildings and improvements	6,752,771	9,116	-	6,761,887
Equipment	2,070,528	162,311	130,297	2,102,542
State projects	1,151,397	-	-	1,151,397
Water system	1,551,525	65,635	-	1,617,160
Sewer system	3,119,758	147,160	-	3,266,918
Total capital assets being depreciated	16,614,483	391,173	130,297	16,875,359
Less: accumulated depreciation	11,381,420	363,491	30,383	11,714,528
Net capital assets, being depreciated	5,233,063	27,682	99,914	5,160,831
Total business-type capital assets	<u>\$ 5,720,377</u>	<u>\$ 27,682</u>	<u>\$ 99,914</u>	<u>\$ 5,648,145</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

Note B - Capital assets – Continued

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

Governmental activities:

General government	\$	46,334
Public safety		11,663
Health and welfare		83,862
Other governmental functions		24,565
Total governmental depreciation	\$	<u>166,424</u>

Business-type activities:

Recreation Center	\$	9,433
Parks and Recreation		4,808
Chippewa County Fairgrounds		19,908
Golf Course		34,720
Sewer		213,145
Water		81,477
Total business-type depreciation	\$	<u>363,491</u>

C. Leases receivable

The Township is a lessor in several lease agreements. For the year ended March 31, 2014, the Township recognized \$92,967 in rental income from these operating leases. The cost of property held for leasing included buildings and improvements of \$672,917, land of \$222,273, and land improvements of \$67,701, with accumulated depreciation of \$607,225. The future minimum, lease payments to be received by the Township as of March 31, 2014 are as follows:

		<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>Thereafter</u>
Buildings	\$	77,220	\$	77,610	\$	77,610	\$	46,170	\$	21,750
Tower space		19,467		17,645		5,939		-		-
Totals	\$	<u>96,687</u>	\$	<u>95,255</u>	\$	<u>83,549</u>	\$	<u>46,170</u>	\$	<u>21,750</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

D. Interfund receivables, payables, and transfers

The Township's interfund receivables and payables at March 31, 2014 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Tax Collection Fund	\$ 18
General Fund	Personal Property Tax Collection	<u>11</u>
		<u>\$ 29</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 2014 fiscal year consisted of the following:

General Fund	Fire Fund	\$ 55,346	Operating
General Fund	Recreation Fund	37,258	Operating
General Fund	Fairgrounds Fund	26,385	Operating
General Fund	Golf Course Fund	<u>102,106</u>	Operating
	TOTAL	<u>\$ 221,095</u>	

E. 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	\$ 270,945	Earned, but unavailable
Property Management Fund	<u>445</u>	Unearned
Total	<u>\$ 271,390</u>	

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

F. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2014 fiscal year:

	Balance April 1, 2013	Additions	Reductions	Balance March 31, 2014	Due within one year
Governmental activities					
Leases payable	\$ 47,166	\$ 195,000	\$ 20,198	\$ 221,968	\$ 58,286
Compensated absences	41,169	3,160	-	44,329	-
Governmental activity long-term liabilities	\$ 88,335	\$ 198,160	\$ 20,198	\$ 266,297	\$ 58,286
Business-type activities					
Bonds payable	\$ 93,000	\$ -	\$ 12,000	\$ 81,000	\$ 12,000
Compensated absences	65,773	2,051	-	67,824	-
Business-type activity long-term liabilities	\$ 158,773	\$ 2,051	\$ 12,000	\$ 148,824	\$ 12,000

Long-term debt at March 31, 2014 consisted of the following:

Governmental activities:

Capital lease for equipment; payable in monthly installments of \$1,870 through July of 2015; interest at 5.9%	26,968
Capital lease for vehicles payable in annual installments of \$44,036 through May of 2018; interest at 8.8%	\$ 195,000
Compensated absences	44,329
Total governmental activities long-term debt	\$ 266,297

Business-type activities:

Series 2004 Capital Improvement Bonds; payable in biannual installments through October 2019; interest from 4.125-5.375%	\$ 81,000
Compensated absences	67,824
Total business-type activities long-term debt	\$ 148,824

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

Annual debt service requirements for debt outstanding as of March 31, 2014 is as follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2015	58,286	8,189	12,000	4,132
2016	42,532	7,103	13,000	3,556
2017	38,635	5,401	13,000	2,915
2018	40,357	3,678	14,000	2,266
2019-2021	42,158	1,879	29,000	2,348
	<u>221,968</u>	<u>26,250</u>	<u>81,000</u>	<u>15,217</u>
Compensated absences	<u>44,339</u>	<u>-</u>	<u>67,824</u>	<u>-</u>
	\$ <u>266,307</u>	\$ <u>26,250</u>	\$ <u>148,824</u>	\$ <u>15,217</u>

G. 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.

H. 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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2014

amended annually by the Township. The Township contributed \$56,408 to the Plan for the year ended March 31, 2014. Employee contributions during the 2014 fiscal year totaled \$5,774.

I. 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, 2014 is as follows:

Non operating revenue	\$	961
Non operating expense		(4,175)
Operating loss		<u>(77,877)</u>
Change in net position before transfers		(81,091)
Operating revenues		208,740
Operating expenses		286,617
Depreciation		34,720
Current assets	\$	65,893
Noncurrent assets		934,460
Total assets	\$	<u>1,000,353</u>
Current liabilities	\$	23,607
Long-term liabilities		78,772
Total liabilities	\$	<u>102,379</u>
Beginning net position		876,959
Ending net position		897,974
Cash provided by (used for):		
Operating activities	\$	(24,014)
Noncapital financing		102,106
Capital financing		(46,174)
Investing activities		961
Beginning cash		4,370
Ending cash	\$	<u>37,249</u>

J. Date of management review

In preparing the financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through September 18, 2014, the date the financial statements were available to be issued.

Required supplementary information

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2014

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 108,116	108,116	\$ 123,883	\$ 15,767
State revenue	402,200	402,200	452,359	50,159
Charges for services	4,675	4,675	6,464	1,789
Licenses and permits	-	-	20	20
Investment earnings	7,000	7,000	7,744	744
Reimbursements and other revenue	11,166	12,348	17,108	4,760
Total revenues	533,157	534,339	607,578	73,239
EXPENDITURES				
Current				
General government				
Township board	16,750	17,350	17,291	59
Supervisor	29,000	29,300	28,962	338
Clerk	28,450	28,450	22,551	5,899
Treasurer	26,500	26,500	19,452	7,048
Assessor	30,864	31,864	24,601	7,263
Accounting	45,000	45,300	45,064	236
Township hall	38,165	40,165	36,536	3,629
Board of review	1,525	1,525	1,084	441
Elections	2,950	3,750	2,895	855
Cemetery	5,525	5,525	4,969	556
Legal	10,000	2,100	59	2,041
Personnel services	53,535	60,117	57,303	2,814
Other services	66,157	64,657	55,196	9,461
Public safety	4,000	4,000	165	3,835
Public works				
Roads and streets	500	500	-	500
Public right of way	18,904	18,904	3,159	15,745
Community and economic development				
Planning and zoning	8,750	10,750	8,898	1,852
Other governmental functions	12,425	12,425	9,380	3,045
Capital outlay				
Total expenditures	399,000	403,182	337,565	65,617
Excess of revenues over expenditures	134,157	131,157	270,013	138,856
OTHER FINANCING SOURCES (USES)				
Transfers out	(184,145)	(221,095)	(221,095)	-
Total other financing sources (uses)	(184,145)	(221,095)	(221,095)	-
Net change in fund balance	\$ (49,988)	\$ (89,938)	48,918	\$ 138,856
Fund balance at April 1, 2013			551,413	
Fund balance at March 31, 2014			\$ 600,331	

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance Fund
For the year ended March 31, 2014

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 93,576	\$ 99,576	\$ 102,417	\$ 2,841
Charges for services	1,313,364	1,353,364	1,312,406	(40,958)
Investment earnings	550	550	414	(136)
Reimbursements	15,400	26,003	26,995	992
Other	-	-	1,981	1,981
Total revenues	1,422,890	1,479,493	1,444,213	(35,280)
EXPENDITURES				
Current				
Health and welfare	1,375,440	1,445,593	1,423,271	22,322
Debt Service				
Principal	20,200	20,200	20,198	2
Interest	2,250	8,700	8,682	18
Capital outlay	25,000	215,000	212,550	2,450
Total expenditures	1,422,890	1,689,493	1,664,701	24,792
Excess of revenues over (under) expenditures	-	(210,000)	(220,488)	(10,488)
OTHER FINANCING SOURCES				
Proceeds from sale of fixed assets	-	15,000	15,000	-
Proceeds from capital lease	-	195,000	195,000	-
Total other financing uses	-	210,000	210,000	-
Net change in fund balance	\$ -	\$ -	(10,488)	\$ (10,488)
Fund balance at April 1, 2013			170,910	
Fund balance at March 31, 2014			\$ 160,422	

Charter Township of Kinross

Required Supplementary Information
 Budgetary Comparison Schedule
 Police Fund
 For the year ended March 31, 2014

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Special assessments	\$ 198,589	\$ 198,589	\$ 197,421	\$ (1,168)
State revenue	4,950	4,950	5,835	885
Charges for services	28,800	28,800	35,389	6,589
Investment earnings	5,500	5,500	2,783	(2,717)
Other revenue	5,200	5,200	-	(5,200)
Total revenues	243,039	243,039	241,428	(1,611)
EXPENDITURES				
Current				
Public safety	255,627	257,241	244,765	12,476
Net change in fund balance	\$ (12,588)	\$ (14,202)	(3,337)	\$ 10,865
Fund balance at April 1, 2013			231,150	
Fund balance at March 31, 2014			\$ 227,813	

Other supplemental information

Charter Township of Kinross

Combining Balance Sheet
Other Governmental Funds - Nonmajor
March 31, 2014

ASSETS

	Special Revenue Funds				Capital Projects Fund	Total other governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	Public Improvement Fund	
ASSETS						
Cash and investments	\$ 98,940	\$ 49,224	\$ 449	\$ 252,699	\$ 31,614	\$ 432,926
Accounts receivable	1,000	-	-	12,152	-	13,152
Accrued interest receivable	2,494	1,327	-	3,983	379	8,183
Taxes and special assessments receivable	-	-	-	7,138	-	7,138
Prepaid expenses	2,621	630	-	-	-	3,251
Total assets	<u>\$ 105,055</u>	<u>\$ 51,181</u>	<u>\$ 449</u>	<u>\$ 275,972</u>	<u>\$ 31,993</u>	<u>\$ 464,650</u>

LIABILITIES AND FUND BALANCES

LIABILITIES						
Accounts payable	\$ 2,057	\$ 2,264	\$ -	\$ -	\$ -	\$ 4,321
Accrued expenses and other liabilities	1,469	27	-	-	-	1,496
Deferred revenue	-	445	-	-	-	445
Total liabilities	<u>3,526</u>	<u>2,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,262</u>
FUND BALANCES						
Nonspendable	2,621	630	-	-	-	3,251
Restricted	-	-	-	275,972	-	275,972
Committed	15,700	-	449	-	-	16,149
Assigned	83,208	47,815	-	-	31,993	163,016
Total fund balances	<u>101,529</u>	<u>48,445</u>	<u>449</u>	<u>275,972</u>	<u>31,993</u>	<u>458,388</u>
Total liabilities and fund balances	<u>\$ 105,055</u>	<u>\$ 51,181</u>	<u>\$ 449</u>	<u>\$ 275,972</u>	<u>\$ 31,993</u>	<u>\$ 464,650</u>

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, 2014

	Special Revenue Funds				Capital Projects Fund	Total other governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	Public Improvement Fund	
REVENUES						
Property taxes	\$ 6,025	\$ -	\$ -	\$ 84,353	\$ -	\$ 90,378
State revenues	24,900	-	-	-	-	24,900
Local contributions	-	50,000	-	-	-	50,000
Charges for services	3,180	-	-	-	-	3,180
Rental income	-	92,967	-	-	-	92,967
Investment earnings	2,504	916	-	3,319	572	7,311
Reimbursements	375	-	-	-	-	375
Total revenues	<u>36,984</u>	<u>143,883</u>	<u>-</u>	<u>87,672</u>	<u>572</u>	<u>269,111</u>
EXPENDITURES						
Current:						
Public safety	85,311	-	308	-	-	85,619
Other governmental functions	-	88,181	-	-	-	88,181
Capital outlay	3,987	50,000	-	-	-	53,987
Total expenditures	<u>89,298</u>	<u>138,181</u>	<u>308</u>	<u>-</u>	<u>-</u>	<u>227,787</u>
Excess of revenues over expenditures	(52,314)	5,702	(308)	87,672	572	41,324
OTHER FINANCING SOURCES (USES)						
Transfers in	55,346	-	-	-	-	55,346
Total other financing sources/(uses)	<u>55,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,346</u>
Net change in fund balances	3,032	5,702	(308)	87,672	572	96,670
Fund balances at April 1, 2013	<u>98,497</u>	<u>\$ 42,743</u>	<u>\$ 757</u>	<u>\$ 188,300</u>	<u>\$ 31,421</u>	<u>361,718</u>
Fund balances at March 31, 2014	<u>\$ 101,529</u>	<u>\$ 48,445</u>	<u>\$ 449</u>	<u>\$ 275,972</u>	<u>\$ 31,993</u>	<u>\$ 458,388</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Combining Statement of Net Position Nonmajor Proprietary Funds March 31, 2014

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CURRENT ASSETS					
Cash and investments	\$ 21,108	\$ 24,768	\$ 29,687	\$ 7,543	\$ 83,106
Accounts receivable	22,290	-	360	952	23,602
Inventory	-	970	-	-	970
Prepaid expenses	-	1,353	-	1,493	2,846
Total current assets	<u>43,398</u>	<u>27,091</u>	<u>30,047</u>	<u>9,988</u>	<u>110,524</u>
NONCURRENT ASSETS					
Capital assets					
Land	-	5,900	12,400	139,500	157,800
Land improvements	-	64,971	82,888	343,789	491,648
Buildings and building improvements	-	212,519	41,036	644,355	897,910
Equipment	-	67,016	-	72,493	139,509
Less: Accumulated depreciation	-	(317,332)	(98,733)	(989,601)	(1,405,666)
Net capital assets	<u>-</u>	<u>33,074</u>	<u>37,591</u>	<u>210,536</u>	<u>281,201</u>
Total assets	<u>\$ 43,398</u>	<u>\$ 60,165</u>	<u>\$ 67,638</u>	<u>\$ 220,524</u>	<u>\$ 391,725</u>
LIABILITIES					
Accounts payable	\$ 11,468	\$ 3,688	\$ 34	\$ 745	\$ 15,935
Accrued expenses	-	3,036	12	1,340	4,388
Compensated absences	-	4,477	-	-	4,477
Total liabilities	<u>11,468</u>	<u>11,201</u>	<u>46</u>	<u>2,085</u>	<u>24,800</u>
NET POSITION					
Invested in capital assets	-	33,074	37,591	210,536	281,201
Unrestricted	<u>31,930</u>	<u>15,890</u>	<u>30,001</u>	<u>7,903</u>	<u>85,724</u>
Total net position	<u>31,930</u>	<u>48,964</u>	<u>67,592</u>	<u>218,439</u>	<u>366,925</u>
Total liabilities and net position	<u>\$ 43,398</u>	<u>\$ 60,165</u>	<u>\$ 67,638</u>	<u>\$ 220,524</u>	<u>\$ 391,725</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 Position
Nonmajor Proprietary Funds
For the year ended March 31, 2014

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
REVENUES					
Charges for services	\$ 143,462	\$ 20,389	\$ 19,574	\$ 20,339	\$ 203,764
Local revenues	-	24,001	-	-	24,001
Other revenue	10	4,713	-	8,696	13,419
	<u>143,472</u>	<u>49,103</u>	<u>19,574</u>	<u>29,035</u>	<u>241,184</u>
OPERATING EXPENSES					
Wages and fringe benefits	-	85,294	3,616	20,496	109,406
Supplies	1,190	3,043	532	2,781	7,546
Utilities	-	18,390	5,104	11,309	34,803
Other services and charges	135,397	18,615	3,497	6,797	164,306
Repair and maintenance	-	4,212	1,343	6,191	11,746
Other expenses	-	7,297	243	-	7,540
Depreciation	-	9,433	4,808	19,908	34,149
	<u>136,587</u>	<u>146,284</u>	<u>19,143</u>	<u>67,482</u>	<u>369,496</u>
Total operating expenses					
	<u>136,587</u>	<u>146,284</u>	<u>19,143</u>	<u>67,482</u>	<u>369,496</u>
Operating income/(loss)	6,885	(97,181)	431	(38,447)	(128,312)
NONOPERATING REVENUES					
Investment earnings	270	1,508	516	362	2,656
Net income (loss) before transfers	7,155	(95,673)	947	(38,085)	(125,656)
TRANSFERS					
Operating transfers in	-	37,258	-	26,385	63,643
Net transfers	-	37,258	-	26,385	63,643
	<u>-</u>	<u>37,258</u>	<u>-</u>	<u>26,385</u>	<u>63,643</u>
Change in net position	7,155	(58,415)	947	(11,700)	(62,013)
Net position at April 1, 2013	24,775	\$ 107,379	\$ 66,645	\$ 230,139	428,938
Net position at March 31, 2014	<u>\$ 31,930</u>	<u>\$ 48,964</u>	<u>\$ 67,592</u>	<u>\$ 218,439</u>	<u>\$ 366,925</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, 2014

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Receipts from customers	\$ 142,827	\$ 50,056	\$ 19,453	\$ 29,299	\$ 241,635
Payments to suppliers	(136,198)	(52,164)	(10,717)	(26,955)	(226,034)
Payments to employees	-	(84,413)	(3,604)	(20,512)	(108,529)
Net cash provided by operating activities	<u>6,629</u>	<u>(86,521)</u>	<u>5,132</u>	<u>(18,168)</u>	<u>(92,928)</u>
CASH FLOWS FROM					
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	37,258	-	26,385	63,643
Net cash provided by noncapital financing activities	-	37,258	-	26,385	63,643
CASH FLOWS FOR CAPITAL AND RELATED					
FINANCING ACTIVITIES					
Purchases of capital assets	-	(6,284)	-	(10,909)	(17,193)
CASH FLOW FROM					
INVESTING ACTIVITIES					
Investment earnings	270	1,508	516	362	2,656
Net cash provided by financing activities	270	1,508	516	362	2,656
Net increase/(decrease) in cash and investments	6,899	(54,039)	5,648	(2,330)	(43,822)
Cash and investments at April 1, 2013	14,209	\$ 78,807	\$ 24,039	\$ 9,873	126,928
Cash and investments at March 31, 2014	<u>\$ 21,108</u>	<u>\$ 24,768</u>	<u>\$ 29,687</u>	<u>\$ 7,543</u>	<u>\$ 83,106</u>
Reconciliation of operating net income/(loss) to net cash provided by/(used for) operating activities					
Operating income (loss)	\$ 6,885	\$ (97,181)	\$ 431	\$ (38,447)	\$ (128,312)
Adjustments to reconcile operating income/(loss) to net cash provided by/ (used for) operating activities:					
Depreciation expense	-	9,433	4,808	19,908	34,149
Change in assets and liabilities					
Increase in receivables	(645)	953	(121)	264	451
Increase in prepaid expenses	-	(104)	-	(88)	(192)
Increase in inventory	-	(8)	-	-	(8)
Increase/(decrease) in accounts payable	389	(495)	2	211	107
Increase/(decrease) in accrued expenses	-	294	12	(16)	290
Increase in compensated absences	-	587	-	-	587
Net cash provided by operating activities	<u>\$ 6,629</u>	<u>\$ (86,521)</u>	<u>\$ 5,132</u>	<u>\$ (18,168)</u>	<u>\$ (92,928)</u>

The accompanying notes are an integral part of this statement.



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INDEPENDENT AUDITOR'S 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*

September 18, 2014

Board of Trustees
Charter Township of Kinross
Kincheloe, Michigan

We have audited, in accordance with the 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, 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, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Charter Township of Kinross' basic financial statements, and have issued our report thereon dated September 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township of Kinross' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Kinross' internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Kinross' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Kinross' financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lake Michigan CPA Services, PLLC

Ludington, Michigan
September 18, 2014



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September 18, 2014

Charter Township of Kinross
Township Board
Morley, Michigan

We 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 for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Kinross are described in Note I. to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2014. We noted no transactions entered into by the Charter Township of Kinross during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Township's financial statements were:

Management's estimate of the collectability of receivables is based on the Township's historical collection rate. We evaluated the key factors and assumptions used to assess the accounts receivable balances in determining that the balances were reasonable in relation to the financial statements taken as a whole.

Management's determination of asset useful lives is based on the Township's historical use and retention of fixed assets. We evaluated the key factors and assumptions surrounding the estimate of depreciable lives of assets in determining that the depreciation expense and accumulated depreciation were reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures and corrected by management are attached to this letter in the form of journal entries.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Charter Township of Kinross's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Kinross's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budget to actual comparisons for the Township's major funds, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Charter Township of Kinross' Board, the State of Michigan Department of Treasury, and management of the Charter Township of Kinross and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lake Michigan CPA Services, PLC". The signature is written in black ink and is positioned above the typed name of the firm.

Lake Michigan CPA Services, PLC
September 18, 2014