

Charter Township of Kinross
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2015

Charter Township of Kinross

List of Elected Officials

Supervisor:	Jim Moore
Clerk:	Sheila Gaines
Treasurer:	Luanne Kooiman-Kauer
Trustee:	Carla Sare
Trustee:	Kathy Noel
Trustee:	Marvin Besteman
Trustee:	George Pierce

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	21-37
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund	38
Budgetary Comparison Schedule—Ambulance Fund	39
Budgetary Comparison Schedule—Police Fund	40
Other Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds.....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Nonmajor Governmental Funds.....	42
Combining Statement of Net Position - Nonmajor Proprietary Funds.....	43
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds.....	44
Combining Statement of Cash Flows - Nonmajor Proprietary Funds.....	45
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>	46-47



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INDEPENDENT AUDITORS' REPORT

September 18, 2015

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, 2015, 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, 2015, 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 38-40 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.



Ludington, Michigan
September 18, 2015

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

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 2015.

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 increased by \$308,408 to \$10,471,459 at March 31, 2015. As we look at the governmental activities separately from the business-type activities, we note that business activities decreased \$23,854 while governmental activities increased \$332,262.

Assets

The Township's total assets increased compared to the prior fiscal year, by almost 4%. Governmental assets increased by \$332,084, due mainly to an increase in cash of \$399,131 from lower spending and the purchase of a new fire tanker for \$103,379. In the business-type activities, total assets increased by \$72,770.

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

Total Cash and Investments

The Township's total cash and investments have increased by \$501,237, or about 22%, from March 31, 2014 to March 31, 2015. The General Fund and Ambulance Funds experienced the largest increases of all the departments, with the operating cash balance increasing by over \$155,000 in the General Fund and over \$184,000 in the Ambulance Fund. 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 \$96,001 over the previous fiscal year, which includes a new capital lease for a fire tanker vehicle. The Sewer Fund also had a large increase in Accounts Payable compared to the year before. 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, 2015 and March 31, 2014.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
ASSETS						
Current	\$ 2,211,895	\$ 1,793,282	\$ 1,438,800	\$ 1,298,890	\$ 3,650,695	\$ 3,092,172
Noncurrent	1,946,093	2,032,622	5,581,005	5,648,145	7,527,098	7,680,767
Total Assets	<u>\$ 4,157,988</u>	<u>\$ 3,825,904</u>	<u>\$ 7,019,805</u>	<u>\$ 6,947,035</u>	<u>\$ 11,177,793</u>	<u>\$ 10,772,939</u>
LIABILITIES						
Current	\$ 121,795	\$ 133,669	\$ 236,311	\$ 131,374	\$ 358,106	\$ 265,043
Noncurrent	219,272	208,021	128,511	136,824	347,783	344,845
Total Liabilities	<u>341,067</u>	<u>341,690</u>	<u>364,822</u>	<u>268,198</u>	<u>705,889</u>	<u>609,888</u>
DEFERRED INFLOW OF RESOURCES						
Unavailable	445	-	-	-	445	-
NET POSITION						
Invested in capital assets, net of related debt	1,720,187	1,810,654	5,512,005	5,567,145	7,232,192	7,377,799
Restricted	349,990	275,972	2,078	2,367	352,068	278,339
Unrestricted	<u>1,746,299</u>	<u>1,397,588</u>	<u>1,140,900</u>	<u>1,109,325</u>	<u>2,887,199</u>	<u>2,506,913</u>
Total Net Position	<u>\$ 3,816,476</u>	<u>\$ 3,484,214</u>	<u>\$ 6,654,983</u>	<u>\$ 6,678,837</u>	<u>\$ 10,471,459</u>	<u>\$ 10,163,051</u>

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

Statement of Activities

The following table is a summary of the activities of the Township for the years ending March 31, 2015 and March 31, 2014.

	Governmental Activities		Business-Type Activities		Total	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2013
Charges for services	\$ 1,897,776	1,712,747	\$ 2,131,795	2,005,574	\$ 4,029,571	3,718,321
Operating grants and contributions	56,075	80,735	112,349	107,138	168,424	187,873
General Revenues						
Property taxes	332,600	316,678	90,728	-	423,328	316,678
Unrestricted grants & contributions	467,991	452,359	-	-	467,991	452,359
Gain/(loss) on sale of capital assets	69,342	(8,183)	23,256	21,000	92,598	12,817
Investment earnings & other revenues	111,510	20,237	151,685	99,750	263,195	119,987
Total Revenues	2,935,294	2,574,573	2,509,813	2,233,462	5,445,107	4,808,035
Program Expenses						
General government	342,089	362,730	-	-	342,089	362,730
Public safety	348,217	343,401	-	-	348,217	343,401
Public works	28,490	3,159	-	-	28,490	3,159
Community and economic development	4,375	8,898	-	-	4,375	8,898
Health and welfare	1,581,503	1,508,681	-	-	1,581,503	1,508,681
Other	107,238	122,126	-	-	107,238	122,126
Interest	10,347	8,682	-	-	10,347	8,682
Recreation Center	-	-	144,570	146,284	144,570	146,284
Parks and Recreation	-	-	17,646	19,143	17,646	19,143
Chippewa County						
Fairgrounds	-	-	60,977	67,482	60,977	67,482
Golf Course	-	-	291,295	290,792	291,295	290,792
Sewer	-	-	1,728,756	1,459,142	1,728,756	1,459,142
Water	-	-	322,303	338,222	322,303	338,222
Rubbish Collection	-	-	148,893	136,587	148,893	136,587
Total Expenses	2,422,259	2,357,677	2,714,440	2,457,652	5,136,699	4,815,329
Transfers	(180,773)	(165,749)	180,773	165,749	-	-
Changes in net position	332,262	51,147	(23,854)	(58,441)	308,408	(7,294)
Net position						
April 1	3,484,214	3,433,067	6,678,837	6,737,278	10,163,051	10,170,345
March 31	\$ 3,816,476	3,484,214	\$ 6,654,983	6,678,837	\$ 10,471,459	10,163,051

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

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 2015 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, and Road Maintenance funds. The Public Improvement Fund was included with the General Fund in the 2015 financial statements because it did not meet the definition of a special revenue fund under governmental accounting standards.

The Township's governmental type revenues improved from 2014 to 2015, up about 14% from the prior year. This is seen as a positive as the Township's governmental revenues increased very little in 2014. The largest portion of this increase was in the Ambulance Fund for run billing.

Expenditures increased by \$64,582 or 2.7% over the prior year, lead by spending on Health and Welfare. This is related to the increased Ambulance run revenue mentioned above. More ambulance runs brings in more revenue but also increases expenses since service is provided to more people. We also had spending on road paving in FY 2015, whereas we did not in the prior year. Spending on General Government has dropped for the fifth year in a row.

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

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 2015 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 basic monthly charge for sewer and water service was increased for the 2014-15 fiscal year. Water rates were reduced about 31.5% and sewer rates were increased 21.8%. This resulted in a net increase in the basic fee of approximately 12.2%. Even with this increase, according to published Michigan Department of Environmental Quality reports, our rates are still among the lowest in the State.

The Water Fund experienced a 24.6% decrease in revenue as a result of the water rate reduction. However, expenses were down by 4.7%. The Sewer Fund increased revenue by 17%, primarily from the sewer rate increase. Expenses were also up by 18%, with about half of the increase being in engineering fees. The rest was in the areas of wages, sludge removal, and wages.

In 2015, the application process was begun to obtain financing to upgrade the sewer processing plant, including a green component that is intended to increase cost efficiency. The approximately \$9.6 million dollar project will take up to two years to complete. The inclusion of a green component in the construction may result in debt forgiveness from the State of up to \$1 million of the principle of the bonds.

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

Recreation Center

The primary source of funding for the Recreation Center has historically been an annual appropriation from the General Fund, but in November 2014 voters approved 2.0 mills to help finance recreation. We received a large amount of support from the Sault Tribe of Chippewa Indians in 2014, although we have not obtained a long-term commitment from the Sault Tribe for ongoing financial support. The recreation millage will provide an important source of financial stability for the Recreation Center.

Golf Course

For the second year in a row, we had virtually no golfing in April due to cold weather. This contributed negatively to a department that is in an industry that seems to be experiencing declining participation not just at our course, but nationally as well. Golf fee revenue was down in FY 2015 by about \$19,000 or 9% over the year before. Expenses were stable, with a change of only \$503, less than .2% from FY 2014. A subsidy from other funds of \$70,655 was needed to pay for operations once again, which was down from \$102,106 in 2014. The Oaks at Kincheloe has a loyal following of residents and nonresidents alike, but the ever-increasing competition and choices for leisure dollars presents a huge challenge for this department.

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

General Budgetary Highlights

The budget was amended with three different resolutions this year. The amendments included engineering fees, Fire Hall roof repairs, Golf Course well pumps, the transfer of property sale proceeds, and to put Spring Cleanup back in the budget.

The State's revenue sharing program underwent another change this year. Two of three reports required of the Township under the EVIP (Economic Vitality Incentive Program) were eliminated, and the name was changed to CVTRS (City, Village, and Township Revenue Sharing). The Township met the requirement for CVTRS during 2014-15 and received the maximum amount of revenue available from the State.

The Township continues to emphasize containment of costs. Total Township-wide payroll for 2014 was up less than 7% compared to 2003, which is an average of just over ½ of 1% per year over that time span. Total General Fund revenue for 2014-15 was up 9.7% from the year before, and expenditures were down 5.0%. Total General Fund expenditures are the lowest they've been in 18 years.

Capital Asset and Debt Administration

At the end of the 2015 fiscal year the Township had \$7,527,098 (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 various pumps, a make-up air unit, plug valves, two vehicles, and remounting a fire tanker. The total bonds and leases payable owed by the Township at March 31, 2015 was \$294,906, compared to \$302,968 at March 31, 2014. A new capital lease was signed on a remounted fire tanker. Compensated absences totaled \$117,840 at March 31, 2015.

Charter Township of Kinross
Management's Discussion and Analysis
March 31, 2015

Future Considerations and Economic Factors

Kinross Township is working to update its recreation plan. In November 2014 voters approved 2.0 mills for recreation. This millage will help to stabilize funding for the Recreation Center for the next four years. Once the recreation plan is updated, the Township will be looking for grants from the DNR to finance recreation projects at Kinross Lake, Duke Lake, and the community park.

As previously mentioned, plans are under way to upgrade the sewer plant. Phase I has begun and includes plans to issue bonds in the amount of \$7,155,000. The bonds will be purchased by the Michigan Finance Authority, through the State Revolving Fund (SRF). Phase II will include bonding an additional \$2,489,000. The project includes "green" components that are projected by the engineers to provide enough savings in utility bills and other expenses to be able to make the annual bond payments. The "green" component of the project makes the Township eligible for up to \$1,000,000 in principle forgiveness from the State. Construction will take almost two years to complete.

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, 2015

ASSETS			
	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 1,654,380	\$ 1,144,869	\$ 2,799,249
Restricted cash	-	2,078	2,078
Receivables	498,632	230,111	728,743
Due from other governmental units	39,475	-	39,475
Inventory	19,408	26,307	45,715
Prepaid items	-	35,435	35,435
Total current assets	2,211,895	1,438,800	3,650,695
NONCURRENT ASSETS			
Non-depreciable	435,273	487,314	922,587
Depreciable, net of accumulated depreciation	1,510,820	5,093,691	6,604,511
Total noncurrent assets	1,946,093	5,581,005	7,527,098
Total assets	\$ 4,157,988	\$ 7,019,805	\$ 11,177,793
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	\$ 19,807	\$ 181,391	\$ 201,198
Accrued expenses and other liabilities	50,026	41,920	91,946
Leases payable, due within one year	51,962	-	51,962
Bonds payable, due within one year	-	13,000	13,000
Total current liabilities	121,795	236,311	358,106
NONCURRENT LIABILITIES			
Leases payable	173,944	-	173,944
Bonds payable	-	56,000	56,000
Compensated absences	45,328	72,511	117,839
Total noncurrent liabilities	219,272	128,511	347,783
Total liabilities	341,067	364,822	705,889
DEFERRED INFLOW OF RESOURCES			
Unearned - property leases	445	-	445
NET POSITION			
Invested in capital assets, net of related debt	1,720,187	5,512,005	7,232,192
Restricted	349,990	2,078	352,068
Unrestricted	1,746,299	1,140,900	2,887,199
Total net position	\$ 3,816,476	\$ 6,654,983	\$ 10,471,459

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Activities For the year ended March 31, 2015

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	\$ 342,089	\$ 23,401	\$ -	\$ (318,688)	\$ -	\$ (318,688)
Public safety	348,217	261,573	20,317	(66,327)	-	(66,327)
Public works	28,490	-	-	(28,490)	-	(28,490)
Community and economic development	4,375	-	-	(4,375)	-	(4,375)
Health and welfare	1,581,503	1,516,688	35,758	(29,057)	-	(29,057)
Other governmental functions	107,238	96,114	-	(11,124)	-	(11,124)
Interest on long-term debt	10,347	-	-	(10,347)	-	(10,347)
Total governmental activities	<u>2,422,259</u>	<u>1,897,776</u>	<u>56,075</u>	<u>(468,408)</u>	<u>-</u>	<u>(468,408)</u>
Business-type activities:						
Recreation Center	144,570	23,017	57,732	-	(63,821)	(63,821)
Parks and Recreation	17,646	17,970	2,000	-	2,324	2,324
Chippewa County Fairgrounds	60,977	22,559	-	-	(38,418)	(38,418)
Golf Course	291,295	184,841	-	-	(106,454)	(106,454)
Sewer	1,728,756	1,516,988	52,617	-	(159,151)	(159,151)
Water	322,303	210,152	-	-	(112,151)	(112,151)
Rubbish Collection	148,893	156,268	-	-	7,375	7,375
Total business-type activities	<u>2,714,440</u>	<u>2,131,795</u>	<u>112,349</u>	<u>-</u>	<u>(470,296)</u>	<u>(470,296)</u>
Total government	<u>\$ 5,136,699</u>	<u>\$ 4,029,571</u>	<u>\$ 168,424</u>	<u>\$ (468,408)</u>	<u>\$ (470,296)</u>	<u>\$ (938,704)</u>
General revenues						
Property taxes, levied for general purposes				137,576	-	137,576
Property taxes, levied for specific purposes				195,024	90,728	285,752
Grants and contributions not restricted to specific programs				467,991	-	467,991
Unrestricted investment earnings				100,392	77,759	178,151
Gain/(loss) on sale of capital assets				69,342	23,256	92,598
Miscellaneous				11,118	73,926	85,044
Transfers				(180,773)	180,773	-
Total general revenues				<u>800,670</u>	<u>446,442</u>	<u>1,247,112</u>
Change in net position				332,262	(23,854)	308,408
Net position at April 1, 2014				<u>3,484,214</u>	<u>6,678,837</u>	<u>10,163,051</u>
Net position at March 31, 2015				<u>\$ 3,816,476</u>	<u>\$ 6,654,983</u>	<u>\$ 10,471,459</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Balance Sheet
Governmental Funds
March 31, 2015

ASSETS

ASSETS	General Fund	Ambulance Fund	Police Fund	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 744,375	\$ 254,633	\$ 212,126	\$ 443,246	\$ 1,654,380
Receivables					
Accounts, net of allowances	1,124	375,734	5	43,089	419,952
Interest	20,464	1,890	2,004	10,873	35,231
Taxes and special assessments	9,001	8,882	18,905	6,661	43,449
Due from other governmental units	35,115	-	4,360	-	39,475
Prepaid items	5,549	6,556	3,951	3,352	19,408
Total assets	<u>\$ 815,628</u>	<u>\$ 647,695</u>	<u>\$ 241,351</u>	<u>\$ 507,221</u>	<u>\$ 2,211,895</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 2,721	\$ 12,647	\$ 854	\$ 3,585	\$ 19,807
Accrued expenses and other liabilities	<u>7,655</u>	<u>33,189</u>	<u>7,101</u>	<u>2,081</u>	<u>50,026</u>
Total liabilities	10,376	45,836	7,955	5,666	69,833

DEFERRED INFLOW OF RESOURCES

Unavailable - ambulance resources	-	228,088	-	-	228,088
Unearned - property leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>445</u>	<u>445</u>
Total deferred inflow of resources	-	228,088	-	445	228,533

FUND BALANCES

Nonspendable	5,549	6,556	3,951	3,352	19,408
Restricted	-	-	-	349,990	349,990
Committed	144,807	-	-	15,700	160,507
Assigned	95,519	367,215	229,445	132,068	824,247
Unassigned	<u>559,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>559,377</u>
Total fund balances	<u>805,252</u>	<u>373,771</u>	<u>233,396</u>	<u>501,110</u>	<u>1,913,529</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 815,628</u>	<u>\$ 647,695</u>	<u>\$ 241,351</u>	<u>\$ 507,221</u>	<u>\$ 2,211,895</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, 2015

Total fund balance—governmental funds \$ 1,913,529

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	\$ 6,067,061	
Accumulated depreciation	<u>(4,120,968)</u>	1,946,093

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

228,088

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	(225,906)	
Compensated absences	<u>(45,328)</u>	(271,234)

Net position of governmental activities
in the Statement of Net Position

\$ 3,816,476

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, 2015

	General Fund	Ambulance Fund	Police Fund	Nonmajor governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 137,576	\$ 109,054	\$ -	\$ 85,970	\$ 332,600
Special assessments	-	-	197,966	-	197,966
State revenues	467,991	-	6,280	14,037	488,308
Local contributions	-	35,758	-	-	35,758
Charges for services	5,686	1,545,253	33,442	30,165	1,614,546
Rental income	-	-	-	96,114	96,114
Licenses and permits	362	-	-	-	362
Investment earnings	43,645	13,380	10,961	32,406	100,392
Reimbursements	17,353	14,292	-	-	31,645
Other	53	9,200	-	1,865	11,118
Total revenues	<u>672,666</u>	<u>1,726,937</u>	<u>248,649</u>	<u>260,557</u>	<u>2,908,809</u>
EXPENDITURES					
Current:					
General government	296,433	-	-	-	296,433
Public safety	288	-	243,066	100,079	343,433
Public works	3,231	-	-	25,259	28,490
Community and economic development	4,375	-	-	-	4,375
Health and welfare	-	1,492,090	-	-	1,492,090
Culture and recreation	-	-	-	-	-
Other governmental functions	16,483	-	-	69,760	86,243
Capital outlay	-	-	-	103,379	103,379
Debt service					
Principal	-	58,286	-	9,655	67,941
Interest	-	8,212	-	2,135	10,347
Total expenditures	<u>320,810</u>	<u>1,558,588</u>	<u>243,066</u>	<u>310,267</u>	<u>2,432,731</u>
Excess of revenues over (under) expenditures	<u>351,856</u>	<u>168,349</u>	<u>5,583</u>	<u>(49,710)</u>	<u>476,078</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of fixed assets	-	-	-	99,391	99,391
Proceeds from capital lease	-	-	-	71,879	71,879
Transfers in	-	45,000	-	53,439	98,439
Transfers out	(178,928)	-	-	(100,284)	(279,212)
Total other financing sources (uses)	<u>(178,928)</u>	<u>45,000</u>	<u>-</u>	<u>124,425</u>	<u>(9,503)</u>
Net change in fund balances	172,928	213,349	5,583	74,715	466,575
Fund balance at April 1, 2014	<u>632,324</u>	<u>\$ 160,422</u>	<u>\$ 227,813</u>	<u>\$ 426,395</u>	<u>\$ 1,446,954</u>
Fund balance at March 31, 2015	<u>\$ 805,252</u>	<u>\$ 373,771</u>	<u>\$ 233,396</u>	<u>\$ 501,110</u>	<u>\$ 1,913,529</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, 2015

Net changes in fund balances - total governmental funds \$ 466,575

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	(159,859)	
Capital outlay	<u>103,379</u>	
		(56,480)

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	(99,391)	
Loss on sale of fixed assets	<u>69,342</u>	
		(30,049)

Certain ambulance revenue in the Statement of Activities that does
not provide current financial resources are not reported as revenue
in the governmental funds. (42,857)

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		(71,879)
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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		67,941
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Compensated absences are reported in the
Statement of Activities on an accrual basis, but are
reported in the governmental funds as expenditures
when used. (989)

Change in net position of governmental activities		<u>\$ 332,262</u>
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The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Statement of Net Position Proprietary Funds March 31, 2015

	Business-type Activities - Enterprise Funds				Total
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	
CURRENT ASSETS					
Cash and investments					
Unrestricted	\$ 22,801	\$ 376,612	\$ 517,401	\$ 228,055	\$ 1,144,869
Restricted	2,078	-	-	-	2,078
Accounts receivable					
Trade	-	154,336	21,794	26,762	202,892
Interest	-	5,098	12,071	1,168	18,337
Property taxes	-	-	-	8,882	8,882
Inventory	24,078	-	-	2,229	26,307
Prepaid items	2,936	23,870	5,473	3,156	35,435
Total current assets	51,893	559,916	556,739	270,252	1,438,800
NONCURRENT ASSETS					
Capital assets					
Land	310,000	13,270	6,244	157,800	487,314
Land improvements	1,277,292	138,940	78,415	491,648	1,986,295
Buildings and building improvements	330,358	4,469,853	1,113,843	897,910	6,811,964
Equipment	707,147	902,586	378,814	139,509	2,128,056
State projects	-	870,038	281,359	-	1,151,397
Water system	-	-	1,617,160	-	1,617,160
Sewer system	-	3,388,100	-	-	3,388,100
Less: accumulated depreciation	(1,713,177)	(6,172,117)	(2,674,316)	(1,429,671)	(11,989,281)
Net capital assets	911,620	3,610,670	801,519	257,196	5,581,005
Total assets	\$ 963,513	\$ 4,170,586	\$ 1,358,258	\$ 527,448	\$ 7,019,805
CURRENT LIABILITIES					
Accounts payable	\$ 10,817	\$ 147,480	\$ 7,913	\$ 15,181	\$ 181,391
Accrued expenses and other liabilities	5,710	25,940	4,606	5,664	41,920
Bonds payable, due within one year	13,000	-	-	-	13,000
Total current liabilities	29,527	173,420	12,519	20,845	236,311
NONCURRENT LIABILITIES					
Bonds payable	56,000	-	-	-	56,000
Compensated absences	9,785	57,630	-	5,096	72,511
Total noncurrent liabilities	65,785	57,630	-	5,096	128,511
Total liabilities	95,312	231,050	12,519	25,941	364,822
NET POSITION					
Invested in capital assets, net of related debt	842,620	3,610,670	801,519	257,196	5,512,005
Restricted	2,078	-	-	-	2,078
Unrestricted	23,503	328,866	544,220	244,311	1,140,900
Total net position	868,201	3,939,536	1,345,739	501,507	6,654,983
Total liabilities and net position	\$ 963,513	\$ 4,170,586	\$ 1,358,258	\$ 527,448	\$ 7,019,805

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, 2015

	Business-type Activities - Enterprise Funds				Total
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ 90,728	\$ 90,728
Charges for services	184,841	1,516,988	210,152	219,814	2,131,795
State grants	-	52,617	-	-	52,617
Local revenues	-	-	-	59,732	59,732
Other revenue	2,531	26,605	30,518	14,272	73,926
	<u>187,372</u>	<u>1,596,210</u>	<u>240,670</u>	<u>384,546</u>	<u>2,408,798</u>
OPERATING EXPENSES					
Wages and fringe benefits	148,876	675,709	84,971	111,023	1,020,579
Supplies	19,084	127,575	9,987	5,090	161,736
Utilities	13,883	156,728	66,259	31,308	268,178
Other services and charges	25,747	458,499	45,838	179,186	709,270
Repair and maintenance	44,668	90,341	59,519	15,557	210,085
Other expenses	1,663	2,272	5,086	5,917	14,938
Depreciation	33,680	217,632	50,643	24,005	325,960
	<u>287,601</u>	<u>1,728,756</u>	<u>322,303</u>	<u>372,086</u>	<u>2,710,746</u>
Total operating expenses					
Operating loss	(100,229)	(132,546)	(81,633)	12,460	(301,948)
NONOPERATING REVENUES (EXPENSES)					
Gain/(loss) on disposition of assets	-	17,213	6,043	-	23,256
Interest expense	(3,694)	-	-	-	(3,694)
Investment earnings	3,495	28,091	34,169	12,004	77,759
Total non-operating revenues (expenses)	<u>(199)</u>	<u>45,304</u>	<u>40,212</u>	<u>12,004</u>	<u>97,321</u>
Net income loss before transfers	(100,428)	(87,242)	(41,421)	24,464	(204,627)
TRANSFERS					
Transfers in	<u>70,655</u>	<u>-</u>	<u>-</u>	<u>110,118</u>	<u>180,773</u>
Change in net position	(29,773)	(87,242)	(41,421)	134,582	(23,854)
Net position at April 1, 2014	<u>897,974</u>	<u>4,026,778</u>	<u>1,387,160</u>	<u>366,925</u>	<u>6,678,837</u>
Net position at March 31, 2015	<u>\$ 868,201</u>	<u>\$ 3,939,536</u>	<u>\$ 1,345,739</u>	<u>\$ 501,507</u>	<u>\$ 6,654,983</u>

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, 2015

CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES	Business-type Activities - Enterprise Funds				
	Golf Course	Sewer Fund	Water Fund	Nonmajor Proprietary Funds	Total
Receipts from customers	\$ 187,769	\$ 1,569,680	\$ 248,241	\$ 290,658	\$ 2,296,348
Receipts from taxpayers	-	-	-	81,846	81,846
Payments to suppliers	(100,498)	(737,747)	(187,362)	(239,381)	(1,264,988)
Payments to employees	(147,257)	(669,952)	(86,269)	(109,128)	(1,012,606)
Net cash provided by (used for) operating activities	(59,986)	161,981	(25,390)	23,995	100,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net transfers from other funds	70,655	-	-	110,118	180,773
Net cash provided by noncapital financing activities	70,655	-	-	110,118	180,773
CASH FLOWS FOR CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(10,840)	(266,266)	(80,436)	-	(357,542)
Proceeds from sales of capital assets	-	84,343	37,635	-	121,978
Principal paid on long-term debt	(12,000)	-	-	-	(12,000)
Interest paid on long-term debt	(3,694)	-	-	-	(3,694)
Net cash used for capital and related financing activities	(26,534)	(181,923)	(42,801)	-	(251,258)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment earnings	3,495	27,681	29,690	10,836	71,702
Net cash provided by financing activities	3,495	27,681	29,690	10,836	71,702
Net increase (decrease) in cash and investments	(12,370)	7,739	(38,501)	144,949	101,817
Cash and investments at April 1, 2014	37,249	\$ 368,873	\$ 555,902	83,106	1,045,130
Cash and investments at March 31, 2015	\$ 24,879	\$ 376,612	\$ 517,401	\$ 228,055	\$ 1,146,947
Reconciliation of operating loss to net cash provided by/(used for) operating activities					
Operating loss	\$ (100,229)	\$ (132,546)	\$ (81,633)	\$ 12,460	\$ (301,948)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation expense	33,680	217,632	50,643	24,005	325,960
Change in assets and liabilities					
(Increase)/decrease in receivables	397	(26,530)	7,571	(12,042)	(30,604)
(Increase)/decrease in prepaid expenses	(355)	(932)	(164)	(310)	(1,761)
(Increase)/decrease in inventory	1,588	-	-	(1,259)	329
Increase/(decrease) in accounts payable	3,314	98,600	(509)	(754)	100,651
Increase/(decrease) in accrued expenses and other liabilities	1,606	1,702	(1,298)	1,276	3,286
Increase/(decrease) in compensated absences	13	4,055	-	619	4,687
Net cash provided by operating activities	\$ (59,986)	\$ 161,981	\$ (25,390)	\$ 23,995	\$ 100,600

Cash paid for interest for the year ended March 31, 2015 was \$3,694.

Charter Township of Kinross

Statement of Fiduciary Assets and Liabilities
Agency Fund
For the year ended March 31, 2015

ASSETS	Current Tax Collection Fund	Personal Property Tax Collection Fund	Total
Cash and investments	\$ <u>992</u>	\$ <u>472</u>	\$ <u>1,464</u>
 LIABILITIES			
Due to other governmental units	\$ <u>992</u>	\$ <u>472</u>	\$ <u>1,464</u>

The accompanying notes are an integral part of this statement.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Kinross have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the 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 2015 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 Township's Board of Trustees, it is financially accountable to the Township, and its annual budget is subject to the approval of the Township Board of Trustees. There was no activity in the Corporation during the 2015 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, 2015

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, 2015

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 Kinross EMS department revenues and expenses.

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 for 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 payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water, sewer, and garbage functions and various other functions of the government. Elimination of these

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

charges would distort the direct costs and program revenues reported for various functions concerned.

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

D. Assets, liabilities and net position or fund balance

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. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have office in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. All investments are reported at fair value.

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2014 state taxable value for property within the Township totaled approximately \$45,236,410. The property tax levied consisted of 1.65 mills for the Township's operating purposes, 1.5 mill for road improvements, 2 mills for EMS services, and 2 mills for parks and recreation. These revenues are recorded in the General Fund, Road Fund, Ambulance Fund, and Recreation 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 items

Certain payments to vendors reflect costs applicable to future accounting periods. These items are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Inventory

Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

5. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

6. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township has only one type of item, which arises only in the governmental funds balance sheet. Accordingly, the item unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: ambulance fund revenues and leases. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

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. Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied.

It is the Township's policy to consider restricted net position to have been depreciated before unrestricted net position is applied.

10. Fund Balance

Sometimes the government will fund outlays from both unrestricted and restricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for a specific purpose. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

In the fund financial statements, the Township reports fund balance in 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.

11. 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, 2015

III. Detailed notes on all funds

A. Deposits and investments

As of March 31, 2015, the Township's deposits were as follows:

	Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 968,264	\$ 1,464
Investments	1,833,063	-
Total	\$ 2,801,327	\$ 1,464

Cash of \$2,078 is restricted in the Golf Course Fund for purposes of repaying the 2004 capital improvement bonds.

The Township's investments at March 31, 2015 consisted of the following:

Investment Type	Fair Value	Average Maturity (Months)	Rating (Moody's)	Percent of Total Investments
Negotiable certificate of deposit	532,074	41	Not rated	29%
U.S. agency obligations	1,228,728	285	AAA/Aaa	67%
Corporate bonds	72,261	360	Not rated	4%
TOTAL	1,833,063			100%
Portfolio weighted average maturity		216 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, 2015

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, 2015, \$261,519 of the Township's bank deposits were covered by federal depository insurance, and \$706,744 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, 2015, \$1,612,570 of the Township's investments were exposed to custodial credit risk because they were uninsured and uncollateralized and \$220,493 were 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, 2015

B. Capital assets

Capital asset activity in the governmental activities for the year ended March 31, 2015 was as follows:

Governmental activities	Balance April 1, 2014	Additions	Deletions	Balance March 31, 2015
Capital assets, not being depreciated				
Land	\$ 458,593	\$ -	\$ 23,320	\$ 435,273
Capital assets, being depreciated				
Land improvements	326,811	-	-	326,811
Buildings and improvements	3,206,408	-	153,680	3,052,728
Equipment	972,247	-	-	972,247
Office equipment	159,771	-	-	159,771
Vehicles	1,036,542	103,379	19,690	1,120,231
Total capital assets being depreciated	<u>5,601,295</u>	<u>103,379</u>	<u>173,370</u>	<u>5,631,788</u>
Less: accumulated depreciation				
Land improvements	278,738	4,346	-	283,084
Buildings and improvements	1,953,177	59,998	133,830	1,879,345
Equipment	939,029	28,071	-	967,100
Office equipment	149,075	3,807	-	152,882
Vehicles	807,730	63,637	32,810	838,557
Total accumulated depreciation	<u>4,127,749</u>	<u>159,859</u>	<u>166,640</u>	<u>4,120,968</u>
Net capital assets, being depreciated	<u>1,538,312</u>	<u>(56,480)</u>	<u>6,730</u>	<u>1,510,820</u>
Total governmental capital assets	<u>\$ 1,955,692</u>	<u>\$ (56,480)</u>	<u>\$ 30,050</u>	<u>\$ 1,946,093</u>

Governmental depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:

General government	\$ 45,770
Public safety	6,061
Health and welfare	87,033
Other governmental functions	20,995
Total governmental depreciation	<u>\$ 159,859</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

Note B - Capital assets – Continued

Capital asset activity in the business-type activities for the year ended March 31, 2015 was as follows:

Business-type activities	Balance April 1, 2014	Additions	Deletions	Balance March 31, 2015
Capital assets, not being depreciated				
Land	\$ 487,314	\$ -	\$ -	\$ 487,314
Capital assets, being depreciated				
Land improvements	1,975,455	\$ 10,840	-	\$ 1,986,295
Buildings and improvements	6,761,887	50,077	-	6,811,964
Equipment	2,102,542	175,443	149,929	2,128,056
State projects	1,151,397		-	1,151,397
Water system	1,617,160		-	1,617,160
Sewer system	3,266,918	121,182	-	3,388,100
Total capital assets being depreciated	16,875,359	357,542	149,929	17,082,972
Less: accumulated depreciation				
Land improvements	1,365,189	34,395	-	1,399,584
Buildings and improvements	4,488,836	128,245	-	4,617,081
Equipment	1,930,740	49,098	51,208	1,928,630
State projects	992,644	29,309	-	1,021,953
Water system	1,014,620	16,239		1,030,859
Sewer system	1,922,500	68,674	-	1,991,174
Total accumulated depreciation	11,714,529	325,960	51,208	11,989,281
Net capital assets, being depreciated	5,160,830	31,582	98,721	5,093,691
Total business-type capital assets	<u>\$ 5,648,144</u>	<u>\$ 31,582</u>	<u>\$ 98,721</u>	<u>\$ 5,581,005</u>

Depreciation in the business-type activities was charged as follows:

Business-type activities:

Recreation Center	\$ 9,933
Parks and Recreation	4,807
Chippewa County Fairgrounds	9,265
Golf Course	33,680
Sewer	217,632
Water	50,643
Total business-type depreciation	<u>\$ 325,960</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

C. Leases receivable

The Township is a lessor in several lease agreements. For the year ended March 31, 2015, the Township recognized \$96,114 in rental income from these operating leases. The cost of property held for leasing included buildings and improvements of \$531,592, equipment of \$30,005, land of \$248,953, and land improvements of \$67,701, with accumulated depreciation of \$524,235. The future minimum, lease payments to be received by the Township as of March 31, 2015 are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Buildings	\$ 83,653	\$ 83,692	\$ 51,735	\$ 21,743	\$ 8,008
Tower space	30,317	18,611	12,672	12,672	2,640
Total	<u>\$ 113,970</u>	<u>\$ 102,303</u>	<u>\$ 64,407</u>	<u>\$ 34,415</u>	<u>\$ 10,648</u>

D. Interfund receivables, payables, and transfers

Interfund transfers during the 2015 fiscal year consisted of the following:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Fund	\$ 53,439	Operating
General Fund	Ambulance Fund	45,000	Operating
General Fund	Recreation Fund	92,158	Operating
General Fund	Fairgrounds Fund	17,960	Operating
General Fund	Golf Course Fund	28,012	Operating
Property Management	Golf Course Fund	42,643	Operating
Property Management	General/Public Improvement	57,641	Future improvements
	TOTAL	<u>\$ 336,853</u>	

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

E. Deferred inflows of resources

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were as follows:

Ambulance Fund Receivables	\$ 228,088	Unavailable
Property Management Fund	<u>445</u>	Unearned
Total	<u>\$ 228,533</u>	

F. Long-term debt

The following is a summary of long-term liability activity for the Township for the 2015 fiscal year:

	Balance April 1, 2014	Additions	Reductions	Balance March 31, 2015	Due within one year
Governmental activities					
Leases payable	\$ 221,968	\$ 71,879	\$ 67,941	\$ 225,906	\$ 51,962
Compensated absences	<u>44,339</u>	<u>989</u>	<u>-</u>	<u>45,328</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 266,307</u>	<u>\$ 72,868</u>	<u>\$ 67,941</u>	<u>\$ 271,234</u>	<u>\$ 51,962</u>
Business-type activities					
Bonds payable	\$ 81,000	\$ -	\$ 12,000	\$ 69,000	\$ 13,000
Compensated absences	<u>67,824</u>	<u>4,687</u>	<u>-</u>	<u>72,511</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 148,824</u>	<u>\$ 4,687</u>	<u>\$ 12,000</u>	<u>\$ 141,511</u>	<u>\$ 13,000</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

Long-term debt at March 31, 2015 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%	\$ 5,546
Capital lease for vehicles payable in annual installments of \$44,036 through May of 2018; interest at 8.8%	158,136
Capital lease for fire tanker payable in annual installments of \$11,789 through April of 2021; interest at 4%	62,224
Compensated absences	<u>45,328</u>
Total governmental activities long-term debt	<u>\$ 271,234</u>

Business-type activities:

Series 2004 Capital Improvement Bonds; payable in biannual installments through October 2019; interest from 4.125-5.375%	\$ 69,000
Compensated absences	<u>72,511</u>
Total business-type activities long-term debt	<u>\$ 141,511</u>

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

Annual debt service requirements for debt outstanding as of March 31, 2015 is as follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2016	\$ 51,962	\$ 9,462	\$ 13,000	\$ 3,556
2017	48,423	7,402	13,000	2,915
2018	50,516	5,308	14,000	2,266
2019	52,702	3,124	14,000	1,542
2020	10,944	846	15,000	806
2021	11,359	431	-	-
	<u>225,906</u>	<u>26,573</u>	<u>69,000</u>	<u>11,085</u>
Compensated absences	<u>45,328</u>	<u>-</u>	<u>72,511</u>	<u>-</u>
	<u>\$ 271,234</u>	<u>\$ 26,573</u>	<u>\$ 141,511</u>	<u>\$ 11,085</u>

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

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 amended annually by the Township. The Township contributed \$56,475 to the Plan for the year ended March 31, 2015. Employee contributions during the 2015 fiscal year totaled \$8,250.

Charter Township of Kinross

Notes to the Financial Statements

March 31, 2015

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, 2015 is as follows:

Non operating revenue	\$	3,495
Non operating expense		(3,694)
Operating loss		<u>(100,229)</u>
Change in net position before transfers		(100,428)
Operating revenues		187,372
Operating expenses		287,601
Depreciation		33,680
Current assets	\$	51,893
Noncurrent assets		<u>911,620</u>
Total assets	\$	<u><u>963,513</u></u>
Current liabilities	\$	29,527
Long-term liabilities		<u>65,785</u>
Total liabilities	\$	<u><u>95,312</u></u>
Beginning net position		897,974
Ending net position		868,201
Cash provided by (used for):		
Operating activities	\$	(59,986)
Noncapital financing		70,655
Capital financing		(26,534)
Investing activities		3,495
Beginning cash		<u>37,249</u>
Ending cash	\$	<u><u>24,879</u></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, 2015, 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, 2015

REVENUES	Budgeted Amounts		Actual	Variance with final budget-
	Original	Final		positive (negative)
Property taxes	\$ 120,326	124,676	\$ 137,576	\$ 12,900
State revenue	456,857	456,857	467,991	11,134
Charges for services	4,625	4,625	5,686	1,061
Licenses and permits	-	-	362	362
Investment earnings	7,000	9,025	43,645	34,620
Reimbursements and other revenue	15,810	15,810	17,406	1,596
Total revenues	604,618	610,993	672,666	61,673
EXPENDITURES				
Current				
General government				
Township board	17,000	17,000	15,757	1,243
Supervisor	29,500	29,500	28,815	685
Clerk	25,250	25,250	23,141	2,109
Treasurer	23,000	23,000	19,627	3,373
Assessor	27,785	27,785	20,657	7,128
Accounting	48,550	48,550	45,525	3,025
Township hall	32,415	34,140	30,335	3,805
Board of review	1,525	1,525	846	679
Elections	3,450	5,000	4,232	768
Cemetery	6,080	6,080	3,655	2,425
Legal	1,000	1,000	101	899
Personnel services	59,335	60,935	55,850	5,085
Other services	49,296	56,396	47,892	8,504
Public safety	3,000	3,000	288	2,712
Public works				
Roads and streets	500	500	-	500
Public right of way	19,785	14,522	3,231	11,291
Community and economic development				
Planning and zoning	6,000	6,000	4,375	1,625
Other governmental functions	11,800	20,100	16,483	3,617
Capital outlay	5,000	5,000	-	5,000
Total expenditures	370,271	385,283	320,810	64,473
Excess of revenues over expenditures	234,347	225,710	351,856	126,146
OTHER FINANCING SOURCES (USES)				
Transfers out	(234,347)	(236,569)	(178,928)	57,641
Net change in fund balance	\$ -	\$ (10,859)	172,928	\$ 183,787
Fund balance at April 1, 2014			632,324	
Fund balance at March 31, 2015			\$ 805,252	

Charter Township of Kinross

Required Supplementary Information
Budgetary Comparison Schedule
Ambulance Fund
For the year ended March 31, 2015

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 101,979	\$ 101,979	\$ 109,054	\$ 7,075
Local contributions	-	-	35,758	35,758
Charges for services	1,360,739	1,458,114	1,545,253	87,139
Investment earnings	750	750	13,380	12,630
Reimbursements	23,500	29,500	14,292	(15,208)
Other	-	-	9,200	9,200
Total revenues	1,486,968	1,590,343	1,726,937	136,594
EXPENDITURES				
Current				
Health and welfare	1,462,488	1,565,863	1,492,090	73,773
Debt Service				
Principal	58,300	58,300	58,286	14
Interest	8,180	8,180	8,212	(32)
Capital outlay	3,000	3,000	-	3,000
Total expenditures	1,531,968	1,635,343	1,558,588	76,755
Excess of revenues over (under) expenditures	(45,000)	(45,000)	168,349	213,349
OTHER FINANCING SOURCES				
Transfers in	45,000	45,000	45,000	-
Net change in fund balance	\$ -	\$ -	213,349	\$ 213,349
Fund balance at April 1, 2014			160,422	
Fund balance at March 31, 2015			\$ 373,771	

Charter Township of Kinross

Required Supplementary Information
 Budgetary Comparison Schedule
 Police Fund
 For the year ended March 31, 2015

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Special assessments	\$ 198,683	\$ 198,683	\$ 197,966	\$ (717)
State revenue	4,950	4,950	6,280	1,330
Charges for services	28,800	28,800	33,442	4,642
Investment earnings	4,000	4,000	10,961	6,961
Other revenue	12,695	12,695	-	(12,695)
Total revenues	249,128	249,128	248,649	(479)
EXPENDITURES				
Current				
Public safety	257,808	257,808	243,066	14,742
Net change in fund balance	\$ (8,680)	\$ (8,680)	5,583	\$ 14,263
Fund balance at April 1, 2014			227,813	
Fund balance at March 31, 2015			\$ 233,396	

Other supplemental information

Charter Township of Kinross

Combining Balance Sheet
Nonmajor governmental funds
March 31, 2015

ASSETS

	Special Revenue Funds				Total nonmajor governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	
ASSETS					
Cash and investments	\$ 69,767	\$ 36,357	\$ 449	\$ 336,673	\$ 443,246
Accounts receivable	425	42,664	-	-	43,089
Accrued interest receivable	2,416	1,801	-	6,656	10,873
Taxes and special assessments receivable	-	-	-	6,661	6,661
Prepaid items	2,702	650	-	-	3,352
Total assets	<u>\$ 75,310</u>	<u>\$ 81,472</u>	<u>\$ 449</u>	<u>\$ 349,990</u>	<u>\$ 507,221</u>

LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 1,341	\$ 2,244	\$ -	\$ -	\$ 3,585
Accrued expenses and other liabilities	1,504	577	-	-	2,081
Total liabilities	<u>2,845</u>	<u>2,821</u>	<u>-</u>	<u>-</u>	<u>5,666</u>

DEFERRED INFLOW OF RESOURCES

Unavailable revenue - leases	-	445	-	-	445
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FUND BALANCES

Nonspendable	2,702	650	-	-	3,352
Restricted	-	-	-	349,990	349,990
Committed	15,700	-	-	-	15,700
Assigned	54,063	77,556	449	-	132,068
Total fund balances	<u>72,465</u>	<u>78,206</u>	<u>449</u>	<u>349,990</u>	<u>501,110</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 75,310</u>	<u>\$ 81,472</u>	<u>\$ 449</u>	<u>\$ 349,990</u>	<u>\$ 507,221</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
Nonmajor Governmental Funds
For the year ended March 31, 2015

	Special Revenue Funds				Total nonmajor governmental funds
	Fire Fund	Property Management Fund	Drug Forfeiture Fund	Road Maintenance Fund	
REVENUES					
Property taxes	\$ 6,239	\$ -	\$ -	\$ 79,731	\$ 85,970
State revenues	14,037	-	-	-	14,037
Charges for services	30,165	-	-	-	30,165
Rental income	-	96,114	-	-	96,114
Investment earnings	9,425	3,435	-	19,546	32,406
Other	1,000	865	-	-	1,865
Total revenues	<u>60,866</u>	<u>100,414</u>	<u>-</u>	<u>99,277</u>	<u>260,557</u>
EXPENDITURES					
Current:					
Public safety	100,079	-	-	-	100,079
Public works	-	-	-	25,259	25,259
Other governmental functions	-	69,760	-	-	69,760
Capital outlay	103,379	-	-	-	103,379
Debt service					
Principal	9,655	-	-	-	9,655
Interest	2,135	-	-	-	2,135
Total expenditures	<u>215,248</u>	<u>69,760</u>	<u>-</u>	<u>25,259</u>	<u>310,267</u>
Excess of revenues over expenditures	(154,382)	30,654	-	74,018	(49,710)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of fixed assets	-	99,391	-	-	99,391
Proceeds from capital lease	71,879	-	-	-	71,879
Transfers in	53,439	-	-	-	53,439
Transfers out	-	(100,284)	-	-	(100,284)
Total other financing sources/(uses)	<u>125,318</u>	<u>(893)</u>	<u>-</u>	<u>-</u>	<u>124,425</u>
Net change in fund balances	(29,064)	29,761	-	74,018	74,715
Fund balances at April 1, 2014	<u>101,529</u>	<u>\$ 48,445</u>	<u>\$ 449</u>	<u>\$ 275,972</u>	<u>426,395</u>
Fund balances at March 31, 2015	<u>\$ 72,465</u>	<u>\$ 78,206</u>	<u>\$ 449</u>	<u>\$ 349,990</u>	<u>\$ 501,110</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, 2015

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CURRENT ASSETS					
Cash and investments	\$ 26,700	\$ 155,636	\$ 39,854	\$ 5,865	\$ 228,055
Accounts receivable					
Trade	25,417	-	-	1,345	26,762
Interest	-	1,168	-	-	1,168
Property taxes	-	8,882	-	-	8,882
Inventory	-	2,229	-	-	2,229
Prepaid items	-	1,651	-	1,505	3,156
Total current assets	<u>52,117</u>	<u>169,566</u>	<u>39,854</u>	<u>8,715</u>	<u>270,252</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	-	(327,265)	(103,540)	(998,866)	(1,429,671)
Net capital assets	<u>-</u>	<u>23,141</u>	<u>32,784</u>	<u>201,271</u>	<u>257,196</u>
Total assets	<u>\$ 52,117</u>	<u>\$ 192,707</u>	<u>\$ 72,638</u>	<u>\$ 209,986</u>	<u>\$ 527,448</u>
LIABILITIES					
Accounts payable	\$ 11,510	\$ 3,287	\$ 42	\$ 342	\$ 15,181
Accrued expenses	-	4,162	5	1,497	5,664
Compensated absences	-	5,096	-	-	5,096
Total liabilities	<u>11,510</u>	<u>12,545</u>	<u>47</u>	<u>1,839</u>	<u>25,941</u>
NET POSITION					
Invested in capital assets	-	23,141	32,784	201,271	257,196
Unrestricted	40,607	157,021	39,807	6,876	244,311
Total net position	<u>40,607</u>	<u>180,162</u>	<u>72,591</u>	<u>208,147</u>	<u>501,507</u>
Total liabilities and net position	<u>\$ 52,117</u>	<u>\$ 192,707</u>	<u>\$ 72,638</u>	<u>\$ 209,986</u>	<u>\$ 527,448</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, 2015

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
REVENUES					
Property taxes	\$ -	\$ 90,728	\$ -	\$ -	\$ 90,728
Charges for services	156,268	23,017	17,970	22,559	219,814
Local revenues	-	57,732	2,000	-	59,732
Other revenue	95	4,386	-	9,791	14,272
	<u>156,363</u>	<u>175,863</u>	<u>19,970</u>	<u>32,350</u>	<u>384,546</u>
OPERATING EXPENSES					
Wages and fringe benefits	-	90,495	3,438	17,090	111,023
Supplies	1,049	1,525	216	2,300	5,090
Utilities	-	15,320	4,950	11,038	31,308
Other services and charges	147,844	19,574	3,380	8,388	179,186
Repair and maintenance	-	1,806	855	12,896	15,557
Other expenses	-	5,917	-	-	5,917
Depreciation	-	9,933	4,807	9,265	24,005
	<u>148,893</u>	<u>144,570</u>	<u>17,646</u>	<u>60,977</u>	<u>372,086</u>
Total operating expenses	<u>148,893</u>	<u>144,570</u>	<u>17,646</u>	<u>60,977</u>	<u>372,086</u>
Operating income/(loss)	7,470	31,293	2,324	(28,627)	12,460
NONOPERATING REVENUES					
Investment earnings	1,207	7,747	2,675	375	12,004
Net income (loss) before transfers	8,677	39,040	4,999	(28,252)	24,464
TRANSFERS					
Operating transfers in	-	92,158	-	17,960	110,118
Net transfers	-	92,158	-	17,960	110,118
Change in net position	8,677	131,198	4,999	(10,292)	134,582
Net position at April 1, 2014	<u>31,930</u>	<u>48,964</u>	<u>67,592</u>	<u>218,439</u>	<u>366,925</u>
Net position at March 31, 2015	<u>\$ 40,607</u>	<u>\$ 180,162</u>	<u>\$ 72,591</u>	<u>\$ 208,147</u>	<u>\$ 501,507</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, 2015

	Rubbish Collection Fund	Recreation Center	Parks and Recreation	Chippewa County Fairgrounds	Total
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Receipts from customers	\$ 153,236	\$ 85,135	\$ 20,330	\$ 31,957	\$ 290,658
Receipts from taxpayers	-	81,846	-	-	81,846
Payments to suppliers	(148,851)	(46,100)	(9,393)	(35,037)	(239,381)
Payments to employees	-	(88,750)	(3,445)	(16,933)	(109,128)
Net cash provided by operating activities	<u>4,385</u>	<u>32,131</u>	<u>7,492</u>	<u>(20,013)</u>	<u>23,995</u>
CASH FLOWS FROM					
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	92,158	-	17,960	110,118
Net cash provided by noncapital financing activities	-	92,158	-	17,960	110,118
CASH FLOW FROM					
INVESTING ACTIVITIES					
Investment earnings	1,207	6,579	2,675	375	10,836
Net cash provided by financing activities	1,207	6,579	2,675	375	10,836
Net increase/(decrease) in cash and investments	5,592	130,868	10,167	(1,678)	144,949
Cash and investments at April 1, 2014	21,108	24,768	29,687	7,543	83,106
Cash and investments at March 31, 2015	<u>\$ 26,700</u>	<u>\$ 155,636</u>	<u>\$ 39,854</u>	<u>\$ 5,865</u>	<u>\$ 228,055</u>
Reconciliation of operating net income/(loss) to net cash provided by/(used for) operating activities					
Operating income (loss)	\$ 7,470	\$ 31,293	\$ 2,324	\$ (28,627)	\$ 12,460
Adjustments to reconcile operating income/(loss) to net cash provided by/ (used for) operating activities:					
Depreciation expense	-	9,933	4,807	9,265	24,005
Change in assets and liabilities					
Increase in receivables	(3,127)	(8,882)	360	(393)	(12,042)
Increase in prepaid expenses	-	(298)	-	(12)	(310)
Increase in inventory	-	(1,259)	-	-	(1,259)
Increase/(decrease) in accounts payable	42	(401)	8	(403)	(754)
Increase/(decrease) in accrued expenses	-	1,126	(7)	157	1,276
Increase in compensated absences	-	619	-	-	619
Net cash provided by operating activities	<u>\$ 4,385</u>	<u>\$ 32,131</u>	<u>\$ 7,492</u>	<u>\$ (20,013)</u>	<u>\$ 23,995</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, 2015

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, 2015, 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, 2015.

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, 2015



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September 18, 2015

Charter Township of Kinross
Township Board
Kincheloe, 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, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicate such information in our letter to you dated March 6, 2015. Professional standards also require that we provide you with 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, 2015. 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, 2015.

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 dark ink and is positioned above the printed name of the firm.

Lake Michigan CPA Services, PLC
September 18, 2015

Prepared by _____

**Kinross Charter Township
Adjusting Journal Entries**

KINROSSTWP

Page 1

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit
1	Adjusting	03/31/15			
		590-536-807.000	ENGINEERING FEES	72,225.24	
		590-000-202.000	ACCOUNTS PAYABLE		72,225.24
			Record accounts payable for Fleis & Vandenbrink		
2	Adjusting	03/31/15			
		590-536-789.000	MAINT/REPAIR-SEWER SYSTE		5,857.00
		590-536-789.000	MAINT/REPAIR-SEWER SYSTE		4,150.00
		590-000-154.000	SEWER SYSTEM	10,007.00	
			Record asset additions in sewer fund/sk		
3	Adjusting	03/31/15			
		210-000-291.000	DEFERRED REVENUE	42,657.05	
		210-000-627.000	AMBULANCE RUNS		42,657.05
			Adjust deferred revenue for net collections/sk		
		TOTAL		124,889.29	124,889.29