

Township of Kimball

St. Clair County, Michigan

Audited Financial Report
March 31, 2012

KING & KING CPAs LLC

Marlette - Imlay City
Michigan

Township of Kimball
Annual Financial Report
For The Year Ended March 31, 2012

Table of Contents

	<u>Page Number</u>
I. Independent Auditor’s Report	1
II. Management’s Discussion & Analysis	MDA 1-3
III. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets (Deficit)	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	4
Reconciliation of Fund Balances to the Statement of Net Assets (Deficit)	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Proprietary Funds	
Statement of Net Assets (Deficit)	8
Statement of Revenues, Expenditures, and Changes in Net Assets	9
Statement of Cash Flows	10
Fiduciary Funds	
Statement of Net Assets (Deficit)	11
Statement of Changes in Net Assets	12
Notes to Financial Statements	13-21
IV. Required Supplemental Information	22
Budgetary Comparison Schedule	
General Fund.....	23
V. Other Supplemental Information	24
Nonmajor Governmental Funds	
Combining Balance Sheet	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	26
Fiduciary Funds	
Combining Statement of Net Assets.....	27
Combining Statement of Changes in Net Assets	28
Schedule of Indebtedness	29-32

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Members of the Township Board
Kimball Township
St. Clair County, Michigan

Independent Auditor's Report

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 Township of Kimball, Michigan as of and for the fiscal year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Kimball, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Kimball, Michigan as of March 31, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison information listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of Management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Kimball, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lehn King

Lehn L. King, C.P.A.
KING & KING CPAs LLC

June 14, 2012

Township of Kimball

Kimball, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Kimball, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2012. Please read it in conjunction with the Township's financial statements.

Using this Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current fiscal year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the fiscal year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Condensed Financial Information

The following table shows in a condensed format, the net assets as of the current date and compared to the most recent audited year's net assets.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>3/31/2012</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2011</u>
Current Assets	\$ 1,637,562	\$ 1,511,749	\$ 4,813,774	\$ 4,559,365	\$ 6,451,336	\$ 6,071,114
Noncurrent Assets	1,850,021	1,971,070	10,465,233	11,032,326	12,315,254	13,003,396
Total Assets	3,487,583	3,482,819	15,279,007	15,591,691	18,766,590	19,074,510
Current Liabilities	622,149	651,339	509,807	569,653	1,131,956	1,220,992
Noncurrent Liabilities	136,532	203,212	2,069,168	2,298,145	2,205,700	2,501,357
Total Liabilities	758,681	854,551	2,578,975	2,867,799	3,337,656	3,722,350
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	1,713,489	1,767,858	6,566,755	6,598,794	8,280,245	8,366,651
Restricted	8,672	-	-	-	8,672	-
Unrestricted	1,006,741	860,410	6,133,276	6,125,099	7,140,017	6,985,509
Total Net Assets	<u>\$ 2,728,902</u>	<u>\$ 2,628,268</u>	<u>\$ 12,700,031</u>	<u>\$ 12,723,892</u>	<u>\$ 15,428,933</u>	<u>\$ 15,352,160</u>

Township of Kimball

Kimball, Michigan

Condensed Financial Information – Continued

The following table shows the changes of the net assets during the current fiscal year:

	Governmental Activities		Business-Type Activities		Total	
	3/31/2012	3/31/2011	3/31/2012	3/31/2011	3/31/2012	3/31/2011
Revenues						
Program Revenues:						
Charges for Services	\$ 203,111	\$ 180,398	\$ 1,381,768	\$ 1,516,356	\$ 1,584,880	\$ 1,696,754
General Revenues:					-	-
Property Taxes	336,140	333,937	-	-	336,140	333,937
State-Shared Revenues	731,181	602,687	-	-	731,181	602,687
Interest	1,064	4,100	106,005	129,133	107,069	133,233
Other Revenues	180,264	176,486	-	-	180,264	176,486
Transfers	(1,663)	(7,651)	5,151	7,712	3,488	61
	<u>1,450,097</u>	<u>1,289,957</u>	<u>1,492,924</u>	<u>1,653,200</u>	<u>2,943,022</u>	<u>2,943,157</u>
Program Expenses						
General Government	\$ 541,555	\$ 533,075	\$ -	\$ -	\$ 541,555	\$ 533,075
Public Safety	513,997	466,362	-	-	513,997	466,362
Public Works	231,132	187,529	-	-	231,132	187,529
Recreation & Culture	53,955	61,584	-	-	53,955	61,584
Interest on L/T Debt	8,824	7,883	102,787	116,029	111,611	123,912
Water & Sewer	-	-	1,413,998	1,584,757	1,413,998	1,584,757
	<u>1,349,463</u>	<u>1,256,433</u>	<u>1,516,785</u>	<u>1,700,786</u>	<u>2,866,248</u>	<u>2,957,219</u>
Change in Net Assets	<u>\$ 100,634</u>	<u>\$ 33,525</u>	<u>\$ (23,861)</u>	<u>\$ (47,586)</u>	<u>\$ 76,773</u>	<u>\$ (14,062)</u>

The Township as a Whole

- The Township's Governmental Activities net assets increased by \$100,634 this fiscal year. This compares to a net increase of \$33,525 in the prior fiscal year.
- The Township's Business-type Activities net assets decreased by \$23,861 this fiscal year. This compares to a net decrease of \$47,586 in the prior fiscal year.
- The Township's primary source of revenue is from charges for services and state-shared revenues, which represents 79% of total revenue.

Township of Kimball

Kimball, Michigan

The Township's Funds

Our analysis of the Township's major funds begins on page 4, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ending March 31, 2012 include the General Fund.

Other major funds are the Water and Sewer Fund, which is categorized as an enterprise or proprietary fund. This fund operates on revenues it receives from the customers (users) of the water and sewer systems.

General Fund Budgetary Highlights

The Township made amendments to the budget throughout the fiscal year to cover the expenditures incurred, yet there were some expenses in excess of budgeted amounts.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2012, the Township did not purchase any fixed assets.

Additional information regarding the Township's capital assets can be found in Note 5 to the financial statements.

The Township did not incur any additional Long-Term Debt in the fiscal year ending March 31, 2012. The Township made principal payments of \$318,192 on existing long-term debt..

Additional information regarding the Township's Long-Term Debt can be found in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Township Office in Kimball, Michigan by telephone at (810) 987-9797.

Township of Kimball
Statement of Net Assets (Deficit)
March 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 1,521,062.01	\$ 3,927,999.45	\$ 5,449,061.46
Property Taxes Receivable	38,391.90	-	38,391.90
Accounts Receivable	23,220.00	357,603.83	380,823.83
Due From Other Funds	34,487.23	31,231.99	65,719.22
Advance to Other Funds	-	496,938.58	496,938.58
Special Assessment Receivables	-	1,523,292.22	1,523,292.22
Prepaid Expenses	20,400.73	-	20,400.73
Unamortized Discount on Bonds - Net	-	37,013.00	37,013.00
Capital Assets			
Nondepreciable Capital Assets	49,500.00	7,000.00	56,500.00
Depreciable Capital Assets	1,800,521.29	8,897,927.63	10,698,448.92
Total Assets	3,487,583.16	15,279,006.70	18,766,589.86
<u>Liabilities</u>			
Accounts Payable	27,359.22	228,599.36	255,958.58
Accrued Wages & Taxes	13,466.98	8,158.86	21,625.84
Due To Other Funds	514,643.03	4,044.75	518,687.78
Accrued Interest Payable	-	40,027.00	40,027.00
Current Portion of Bonds Payable	66,680.00	228,977.00	295,657.00
Noncurrent Liabilities:			
Bonds Payable	136,531.90	2,069,168.27	2,205,700.17
Total Liabilities	758,681.13	2,578,975.24	3,337,656.37
Net Assets (Deficit)			
Invested in Capital Assets - Net of Related Debt	1,713,489.39	6,566,755.36	8,280,244.75
Restricted	8,671.96	-	8,671.96
Unrestricted	1,006,740.68	6,133,276.10	7,140,016.78
Total Net Assets (Deficit)	\$ 2,728,902.03	\$ 12,700,031.46	\$ 15,428,933.49

The notes are an integral part of the statements.

Township of Kimball
Statement of Activities
For the Year Ended March 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 541,555.40	\$ 34,006.15	\$ -	\$ -	\$ (507,549.25)	\$ -	\$ (507,549.25)
Public Safety	513,996.64	169,005.10	-	-	(344,991.54)	-	(344,991.54)
Public Works	231,131.71	-	-	-	(231,131.71)	-	(231,131.71)
Recreation & Culture	53,955.47	100.00	-	-	(53,855.47)	-	(53,855.47)
Interest on Long-Term Debt	8,823.80	-	-	-	(8,823.80)	-	(8,823.80)
<u>Total Governmental Activities</u>	1,349,463.02	203,111.25	-	-	(1,146,351.77)	-	(1,146,351.77)
Business-type Activities	1,413,997.96	1,381,768.35	-	-	-	(32,229.61)	(32,229.61)
Interest on Long-Term Debt	102,787.27	-	-	-	-	(102,787.27)	(102,787.27)
<u>Total Business-type Activities</u>	1,516,785.23	1,381,768.35	-	-	-	(135,016.88)	(135,016.88)
Total Primary Government	\$ 2,866,248.25	\$ 1,584,879.60	\$ -	\$ -	\$ (1,146,351.77)	\$ (135,016.88)	\$ (1,281,368.65)
General Revenues:							
Property Taxes					\$ 336,139.77	\$ -	\$ 336,139.77
Intergovernmental Revenues					731,181.32	-	731,181.32
Interest					1,064.23	106,005.07	107,069.30
Other Revenues					180,263.89	-	180,263.89
Transfers					(1,663.18)	5,151.04	3,487.86
Total General Revenues, Special Items & Transfers					<u>1,246,986.03</u>	<u>111,156.11</u>	<u>1,358,142.14</u>
Change in Net Assets					100,634.26	(23,860.77)	76,773.49
Net Assets (Deficit) - Beginning of Year					<u>2,628,267.77</u>	<u>12,723,892.23</u>	<u>15,352,160.00</u>
Net Assets (Deficit) - End of Year					<u>\$ 2,728,902.03</u>	<u>\$ 12,700,031.46</u>	<u>\$ 15,428,933.49</u>

The notes are an integral part of the statements.

Township of Kimball

Governmental Funds

Balance Sheet

March 31, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash & Certificates of Deposit	\$ 1,505,806.98	\$ 15,255.03	\$ 1,521,062.01
Property Taxes Receivable	38,391.90	-	38,391.90
Accounts Receivable	23,220.00	-	23,220.00
Due From Other Funds	34,487.23	-	34,487.23
Prepaid Expenses	20,400.73	-	20,400.73
	<u>20,400.73</u>	<u>-</u>	<u>20,400.73</u>
Total Assets	<u>\$ 1,622,306.84</u>	<u>\$ 15,255.03</u>	<u>\$ 1,637,561.87</u>
 <u>Liabilities & Fund Equity</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 25,455.72	\$ 1,903.50	\$ 27,359.22
Accrued Wages & Taxes	12,309.12	1,157.86	13,466.98
Due To Other Funds	511,121.32	3,521.71	514,643.03
	<u>511,121.32</u>	<u>3,521.71</u>	<u>514,643.03</u>
Total Liabilities	<u>548,886.16</u>	<u>6,583.07</u>	<u>555,469.23</u>
 <u>Fund Equity</u>			
Fund Balances			
Nonspendable - Prepaids	20,400.73	-	20,400.73
Restricted For:			
Public Safety - Building Inspection	-	1,148.26	1,148.26
Public Safety - Liquor Enforcement	-	1,592.62	1,592.62
Recreation & Culture	-	5,931.08	5,931.08
Unassigned	1,053,019.95	-	1,053,019.95
Total Fund Balances	<u>1,073,420.68</u>	<u>8,671.96</u>	<u>1,082,092.64</u>
Total Liabilities & Fund Equity	<u>\$ 1,622,306.84</u>	<u>\$ 15,255.03</u>	<u>\$ 1,637,561.87</u>

The notes are an integral part of the statements.

Township of Kimball
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2012

Total Fund Balances for Governmental Funds \$ 1,082,092.64

Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial
Resources and are not reported in the Funds 1,850,021.29

Long-term bonds payable are not due and payable in the current
period and are not reported in the Funds (203,211.90)

Net Assets of Governmental Activities \$ 2,728,902.03

Township of Kimball
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes
 in Fund Balances
 For The Year Ended March 31, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Property Taxes	\$ 336,139.77	\$ -	\$ 336,139.77
Intergovernmental Revenues	684,721.00	46,460.32	731,181.32
Charges for Services	120,491.33	100.00	120,591.33
Licenses & Permits	31,556.50	50,963.42	82,519.92
Interest Earnings	967.98	96.25	1,064.23
Other Revenues	180,263.89	-	180,263.89
<u>Total Revenues</u>	<u>1,354,140.47</u>	<u>97,619.99</u>	<u>1,451,760.46</u>
<u>Expenditures</u>			
General Government	483,527.47	-	483,527.47
Public Safety	388,152.58	74,267.94	462,420.52
Publics Works	219,687.11	-	219,687.11
Recreation & Culture	17,492.11	36,463.36	53,955.47
Debt Service			
Principal	64,570.30	-	64,570.30
Interest	8,823.80	-	8,823.80
Capital Outlay	-	-	-
<u>Total Expenditures</u>	<u>1,182,253.37</u>	<u>110,731.30</u>	<u>1,292,984.67</u>
Excess of Revenues Over (Under) Expenditures	171,887.10	(13,111.31)	158,775.79
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	(18,373.65)	16,710.47	(1,663.18)
Net Change in Fund Balances	153,513.45	3,599.16	157,112.61
<u>Fund Balances - Beginning of Year</u>	<u>919,907.23</u>	<u>5,072.80</u>	<u>924,980.03</u>
<u>Fund Balances - End of Year</u>	<u>\$ 1,073,420.68</u>	<u>\$ 8,671.96</u>	<u>\$ 1,082,092.64</u>

The notes are an integral part of the statements.

Township of Kimball
 Governmental Funds
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For The Year Ended March 31, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 157,112.61

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

Governmental Funds report Capital Outlays as Expenditures;
 in the Statement of Activities, these costs are capitalized and
 allocated over their estimated useful lives as Depreciation -

Repayment of Loan Principal is an Expenditure in the Governmental
 Funds, but not in the Statement of Activities (where it
 reduces Long-Term Debt) 64,570.30

Depreciation is an Expenditure for the Statement of
 Activities, but is not reported in the Governmental Funds (121,048.65)

Change in Net Assets of Governmental Activities \$ 100,634.26

Township of Kimball
Statement of Net Assets (Deficit)
Proprietary Funds
March 31, 2012

	Enterprise Fund
Assets	Water & Sewer Fund
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 3,927,999.45
Accounts Receivable	357,603.83
<u>Total Current Assets</u>	4,285,603.28
 <u>Noncurrent Assets</u>	
Advance to Other Funds	496,938.58
Due From Other Funds	31,231.99
Special Assessments Receivable	1,523,292.22
Unamortized Discount on Bonds - Net	37,013.00
Nondepreciable Capital Assets	7,000.00
Depreciable Capital Assets - Net	8,897,927.63
<u>Total Noncurrent Assets</u>	10,993,403.42
Total Assets	15,279,006.70
 <u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	228,599.36
Accrued Wages & Taxes	8,158.86
Due to Other Funds	4,044.75
Accrued Interest	40,027.00
Current Portion of Bonds Payable	228,977.00
Total Current Liabilities	509,806.97
 <u>Long-Term Liabilities</u>	
Bonds Payable	2,069,168.27
Total Liabilities	2,578,975.24
 <u>Net Assets</u>	
Invested in Capital Assets Net of Related Debt	6,566,755.36
Unrestricted	6,133,276.10
<u>Total Net Assets</u>	\$ 12,700,031.46

The notes are an integral part of the statements.

Township of Kimball
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
March 31, 2012

	Enterprise Fund
	Water & Sewer Fund
<u>Operating Revenues</u>	
User Charges & Penalties	\$ 1,345,510.21
Tap In Fees & Miscellaneous	36,258.14
<u>Total Operating Revenues</u>	1,381,768.35
<u>Operating Expenses</u>	
Cost of Water	557,056.83
Cost of Sewer Service	152,726.60
Operation & Maintenance	359,489.78
General & Administration	47,984.83
Depreciation	296,739.92
<u>Total Operating Expenses</u>	1,413,997.96
<u>Operating Income (Loss)</u>	(32,229.61)
<u>Nonoperating Revenues (Expenses)</u>	
Interest Earned	106,005.07
Interest Expense	(102,787.27)
Transfers From (To) Other Funds	5,151.04
Change in Net Assets	(23,860.77)
<u>Net Assets - Beginning of Year</u>	12,723,892.23
<u>Net Assets - End of Year</u>	\$ 12,700,031.46

The notes are an integral part of the statements.

Township of Kimball
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2012

	Enterprise Fund
	Water & Sewer Fund
<u>Cash Flow From Operating Activities</u>	
Receipts from Customers	\$ 1,375,976.99
Payments for Operation, Maintenance, & Water	(1,101,531.61)
Payments for General & Administration	(47,984.83)
	226,460.55
<u>Net Cash Provided by Operating Activity</u>	226,460.55
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating Transfers In (Out)	5,151.04
Received/(Paid) "Due From/(To) Other Funds"	51,151.19
	56,302.23
<u>Net Cash Provided by Noncapital Financing Activities</u>	56,302.23
<u>Cash Flows from Capital & Related Financing Activities</u>	
Purchase of Capital Assets	-
Collection of Special Assessments	270,352.89
Payments on Long-Term Debt	(253,622.63)
Interest Paid on Long-Term Debt	(109,774.27)
	(93,044.01)
<u>Net Cash Provided by Capital & Related Financing Activities</u>	(93,044.01)
<u>Cash Flows From Investing Activities</u>	
Interest received on Investments	106,005.07
	106,005.07
<u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	295,723.84
<u>Cash & Cash Equivalents - Beginning of Year</u>	3,632,275.61
<u>Cash & Cash Equivalents - End of Year</u>	\$ 3,927,999.45
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>	
Operating Income (Loss)	(32,229.61)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:	
Depreciation	296,739.92
Changes in Assets & Liabilities:	
Accounts Receivable	(5,791.36)
Accounts Payable	(32,258.40)
	(38,049.74)
<u>Net Cash Provided by Operating Activities</u>	\$ 226,460.55

The notes are an integral part of the statements.

Township of Kimball
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2012

	Fiduciary Fund Types		
	Other Trust Funds	Agency Funds	Totals
<u>Assets</u>			
Cash - Savings & Certificates	\$ 25,515.67	\$ 106,244.08	\$ 131,759.75
Due From Other Funds	-	2,996.88	2,996.88
	\$ 25,515.67	\$ 109,240.96	\$ 134,756.63
<u>Liabilities & Fund Balance</u>			
<u>Liabilities</u>			
Due To Other Funds	\$ 120.68	\$ 46,846.22	\$ 46,966.90
Due To Others	-	62,394.74	62,394.74
	120.68	109,240.96	109,361.64
<u>Fund Balances</u>			
Held in Trust for Cemetery Perpetual Care	25,394.99	-	25,394.99
Unreserved & Undesignated	-	-	-
	25,394.99	-	25,394.99
	\$ 25,515.67	\$ 109,240.96	\$ 134,756.63

The notes are an integral part of the statements.

Township of Kimball
Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2012

	Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 60.10
Sale of Lots - Perpetual Care	300.00
<u>Total Additions</u>	<u>360.10</u>
<u>Deductions</u>	
Administrative Expense	-
Contribution To (From) Other Funds	60.10
<u>Total Deductions</u>	<u>60.10</u>
<u>Net Increase</u>	300.00
<u>Net Assets - Beginning of Year</u>	<u>25,094.99</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 25,394.99</u></u>

The notes are an integral part of the statements.

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

The accounting methods and procedures adopted by the Township of Kimball, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Township's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Township of Kimball, Michigan, established in 1855, is a public corporation created under the constitution and statutes of the State of Michigan. Located in St. Clair County, the Township of Kimball covers an area of approximately 36 square miles and is one of 23 townships in St. Clair County, Michigan, each of which is a separate governmental entity. The Township operates under an elected Township Board of Officials, which consists of a Supervisor, Clerk, Treasurer, and four Trustees, and provides services to its residents in many areas including fire protection, water, sewer, streets, parks and recreation. In evaluating how to define the Township for financial purposes, Management has considered all potential component units. The decision to include a potential component unit the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity* and GASB Statement #39, *Determining Whether Certain Organizations are Component Units*.

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

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

The Township reports the following major governmental funds:

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

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

The Township reports the following Enterprise Fund:

Water & Sewer Fund - The Water and Sewer Fund is an enterprise fund used to record the activities related to providing water and sewer services to the Township's citizens.

Additionally, the Township reports the following fund types:

Cemetery Perpetual Care Fund – The Perpetual Care Fund is a permanent fund that is used to record the guaranteed maintenance activity of the Township's cemetery.

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

Trust & Agency Fund - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Deposits & Investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (water and sewer lines, tennis courts and similar items), are reported in the applicable governmental or business-type activities column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings & Building Improvements	20 to 40 years
Furniture, Equipment & Software	3 to 5 years
Vehicles	5 years
Land Improvements	15 years
Water & Sewer Lines	50 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance Classification - In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation for use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the board; and assigned fund balance for constraints placed on resources by the Township's intent to be used for specific purposes.

- For *committed* fund balances, the Township's highest level of decision-making authority is the Board and it takes a Board's resolution to establish a fund balance commitment.
- For *assigned* fund balances, the Board can authorize to assign amounts to a specific purpose through a motion.
- The Township's policy is that the restricted amounts are considered to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- The Township's policy is if it has *committed*, *assigned*, or *unassigned* fund balance available when it incurs an expenditure it will use up the fund balance in the order of committed, assigned, and then unassigned.
- The Township does not have a policy with respect to a minimum fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

Compensated Absences – The Township allows employees to accumulate vacation and sick time from year to year within limits. The liability for these compensated absences is recorded as long-term debt in the Government-wide Statements. In the Fund Financial Statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised on a functional basis. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the fiscal year ended March 31, 2012, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Township Board	\$ 68,043	\$ 69,462	\$ 1,419
Elections	17,875	18,120	245
Assessor	70,391	70,683	292
Clerk	111,323	115,396	4,073
Fire Protection	274,125	277,982	3,858
Street Lights	54,180	62,416	8,236
Planning & Zoning	24,763	30,940	6,177
Recreation & Culture	17,392	17,492	101
Operating Transfers In (Out)	1,300	(18,434)	19,734

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance 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 investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority and the Township does not have an investment policy. All cash deposits and investments of the Township are held by the Township in the Township's name.

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

	Governmental Activities	Business-type Activities	Fiduciary - Trust & Agency Funds	Total Primary Government
Cash & Cash Equivalents	\$ 1,521,062	\$ 3,927,999	\$ 131,760	\$ 5,580,821

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 5,580,821

The bank balance of the primary government's deposits is \$5,580,821, of which \$3,807,759 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township has a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$1,773,062 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy limits its investment choices further.

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and are due without penalty on or before February 28, for all real and business personal property located in the Township. The collection of these taxes and remittance to the proper authority are accounted for in the Current Tax Collection Fund. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of December 1.

The Township levied the following taxes:
Township Operating 0.7599 mills

5. Capital Assets

Capital assets activity of the Township's governmental and business-type activities was as follows:

	<u>Balance April 1, 2011</u>	<u>Additions</u>	<u>Disposals & Adjustments</u>	<u>Balance March 31, 2012</u>
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 49,500	\$ -	\$ -	\$ 49,500
Capital Assets Being Depreciated:				
Buildings & Improvements	1,525,838	-	-	1,525,838
Machinery & Equipment	2,246,103	-	-	2,246,103
Total Capital Assets being Depreciated	3,771,941	-	-	3,771,941
Accumulated Depreciation:				
Buildings & Improvements	453,514	34,995	-	488,508
Machinery & Equipment	1,396,858	86,054	-	1,482,912
Total Accumulated Depreciation	1,850,371	121,049	-	1,971,420
Governmental Activities Capital Assets - Net	<u>\$ 1,971,070</u>	<u>\$ (121,049)</u>	<u>\$ -</u>	<u>\$ 1,850,021</u>
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 7,000	\$ -	\$ -	\$ 7,000
Capital Assets Being Depreciated:				
Water & Sewer Lines	14,331,230	-	-	14,331,230
Machinery & Equipment	108,770	-	-	108,770
Total Capital Assets being Depreciated	14,440,000	-	-	14,440,000
Accumulated Depreciation:				
Water & Sewer Lines	5,227,512	285,761	-	5,513,273
Machinery & Equipment	21,914	6,887	-	28,801
Total Accumulated Depreciation	5,249,425	292,648	-	5,542,073
Business-type Activities Capital Assets - Net	<u>\$ 9,197,575</u>	<u>\$ (292,648)</u>	<u>\$ -</u>	<u>\$ 8,904,927</u>

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

Governmental Activities:	
General Government	\$ 58,028
Public Safety	51,576
Public Works	11,445
Total Governmental Activities	<u>\$ 121,049</u>
Business-type Activities:	
Water & Sewer Fund	\$ 292,648
Total Business-type Activities	<u>\$ 292,648</u>

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

6. Long -Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General Obligation Bonds & Contracts						
Tri County Bank Installment Purchase - Fire Truck						
Amount of Issue - \$333,293						
Maturing through October 15, 2014	3.25%	\$65,511 - \$67,637	\$ 267,782	\$ (64,570)	\$ 203,212	\$ 66,680
Total Governmental Installment Agreements			\$ 267,782	\$ (64,570)	\$ 203,212	\$ 66,680
Business-type Activities						
General Obligation Bonds & Contracts						
Tri County Bank Installment Purchase - Backhoe						
Amount of Issue - \$71,000						
Maturing through April 15, 2014	3.30%	\$14,356 - \$14,692	\$ 56,768	\$ (13,622)	\$ 43,146	\$ 13,977
Sewer Disposal System Special Assessment Improvement Bonds						
Amount of Issue - \$2,680,000						
Maturing through November 1, 2023	2.50% - 4.625%	\$145,000	\$ 1,885,000	\$ (145,000)	\$ 1,740,000	\$ 145,000
Water Supply System Special Assessment Bonds Series B						
Amount of Issue - \$355,000						
Maturing through December 1, 2018	4.00% - 6.00%	\$20,000	\$ 160,000	\$ (20,000)	\$ 140,000	\$ 20,000
Water Supply System Special Assessment Bonds Series A						
Amount of Issue - \$915,000						
Maturing through December 1, 2018	3.90% - 5.90%	\$50,000 - \$55,000	\$ 425,000	\$ (50,000)	\$ 375,000	\$ 50,000
Water Supply System Special Assessment Improvement Bonds						
Amount of Issue - \$640,000						
Maturing through October 1, 2011	5.20% - 7.10%	\$25,000	\$ 25,000	\$ (25,000)	\$ -	\$ -
Total Business-type Bonds and Purchase Contracts			\$ 2,551,768	\$ (253,622)	\$ 2,298,146	\$ 215,000
Total Long Term Bonds and Purchase Contracts			\$ 2,819,550	\$ (318,192)	\$ 2,501,358	\$ 281,680

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 66,680	\$ 6,714	\$ 73,394	\$ 228,977	\$ 99,197	\$ 328,174
2014	68,895	4,499	73,394	229,448	90,065	319,513
2015	67,637	2,229	69,866	234,721	80,852	315,573
2016	-	-	-	220,000	71,170	291,170
2017	-	-	-	220,000	61,740	281,740
2018-2022	-	-	-	875,000	173,272	1,048,272
2023-2024	-	-	-	290,000	20,081	310,081
Total	\$ 203,212	\$ 13,442	\$ 216,654	\$ 2,298,146	\$ 596,377	\$ 2,894,523

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

7. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due from other funds” or “Due to other funds” on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 824	Tax Collection Fund	\$ 824
General Fund	121	Cemetery Perpetual Care Fund	121
Trust & Agency Fund	2,997	Building Inspection Fund	2,997
Water & Sewer Fund	31,232	Trust & Agency Fund	31,232
General Fund	492,894	Water & Sewer Fund	492,894
General Fund	26	Parks & Recreation Fund	26
General Fund	499	Liquor Control Fund	499
General Fund	<u>14,791</u>	Trust & Agency Fund	<u>14,791</u>
Total	<u><u>\$ 543,382</u></u>		<u><u>\$ 543,382</u></u>

The balance of \$492,894 due to the Water & Sewer Fund from the General Fund is considered a long-term advance, and results from a loan the Water & Sewer Fund made to the General Fund to finance part of the construction of the new township hall. The full amount is not expected to be repaid within one year.

Interfund Transfers reported in the Fund Statements are as follows:

<u>Transferred To</u>		<u>Transferred From</u>	
Water & Sewer Fund	\$ 5,151	General Fund	\$ 5,141
General Fund	60	Cemetery Perpetual Care Fund	60
Building Fund	<u>16,710</u>	General Fund	<u>16,710</u>
Total	<u><u>\$ 21,922</u></u>		<u><u>\$ 21,912</u></u>

Township of Kimball
Notes to the Financial Statements
For The Year Ended March 31, 2012

8. Retirement Plan

Substantially all of the union full-time employees of the Township are covered by a defined contribution retirement plan. For the fiscal year ended March 31, 2012, the Township contributed \$31,316 to the plan.

9. Related Organization

The Township has a related organization, the Kimball Township Economic Development Corporation (the "EDC"). The EDC is financially accountable to the Township. There has not been any activity related to the EDC during the current year. The EDC does not issue separate financial statements, and its net assets and activity have not been included in the Township's financial statements.

10. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

11. Contingent Liability

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

Required Supplemental Information

Township of Kimball
 Budgetary Comparison Schedule
 General Fund
 For The Year Ended March 31, 2012

	General Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenues				
Property Taxes	\$ 325,619.00	\$ 325,619.00	\$ 336,139.77	\$ 10,520.77
State Shared Revenues	530,000.00	660,000.00	684,721.00	24,721.00
Park & Recreation County Millage	-	-	-	-
Licenses & Permits	20,015.00	28,015.00	31,556.50	3,541.50
Charges for Services	110,766.00	123,266.00	120,491.33	(2,774.67)
Interest Earnings	6,000.00	6,000.00	967.98	(5,032.02)
Insurance Proceeds	-	-	-	-
Other Revenues	157,350.00	162,350.00	180,263.89	17,913.89
Total Revenues	1,149,750.00	1,305,250.00	1,354,140.47	48,890.47
Expenditures				
General Government				
Township Board	74,804.13	68,042.78	69,462.15	(1,419.37)
Supervisor	27,973.78	27,296.38	27,094.29	202.09
Elections	18,850.66	17,875.25	18,120.05	(244.80)
Assessor	62,027.75	70,391.20	70,683.08	(291.88)
Clerk	101,853.50	111,323.00	115,396.44	(4,073.44)
Board of Review	5,920.55	5,620.55	4,485.97	1,134.58
Treasurer	90,922.19	89,667.19	87,162.63	2,504.56
Building & Grounds	42,226.78	62,533.30	55,341.82	7,191.48
Cemetery	26,668.21	35,793.21	35,781.04	12.17
Total General Government	451,247.55	488,542.86	483,527.47	5,015.39
Public Safety				
Fire Protection	251,603.58	274,124.58	277,982.12	(3,857.54)
Street Lights	54,180.00	54,180.00	62,416.22	(8,236.22)
Building Regulations	17,779.94	18,531.24	16,814.13	1,717.11
Planning & Zoning	18,935.57	24,763.06	30,940.11	(6,177.05)
Total Public Safety	342,499.09	371,598.88	388,152.58	(16,553.70)
Public Works - Roads & Drains	261,507.20	276,802.60	219,687.11	57,115.49
Recreation & Culture	10,231.55	17,391.55	17,492.11	(100.56)
Debt Service - Principal	70,000.00	70,000.00	64,570.30	5,429.70
Debt Service - Interest	15,251.45	11,251.45	8,823.80	2,427.65
Capital Outlay	-	-	-	-
Total Expenditures	1,150,736.84	1,235,587.34	1,182,253.37	53,333.97
Excess of Revenues Over (Under) Expenditures	(986.84)	69,662.66	171,887.10	102,224.44
Other Financing Sources (Uses)				
Operating Transfers In (Out)	1,300.00	1,300.00	(18,373.65)	(19,673.65)
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	313.16	70,962.66	153,513.45	82,550.79
Fund Balance - Beginning of Year	-	-	919,907.23	919,907.23
Fund Balance - End of Year	\$ 313.16	\$ 70,962.66	\$ 1,073,420.68	\$ 1,002,458.02

Other Supplemental Information

Township of Kimball

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2012

	Special Revenue Funds			Total
	Building Inspection Fund	Parks & Recreation Fund	Liquor Enforcement Fund	Nonmajor Governmental Funds
<u>Assets</u>				
Cash & Cash Equivalents	\$ 6,500.72	\$ 6,382.93	\$ 2,371.38	\$ 15,255.03
Property Taxes Receivable	-	-	-	-
Due From Other Funds	-	-	-	-
Total Assets	\$ 6,500.72	\$ 6,382.93	\$ 2,371.38	\$ 15,255.03
<u>Liabilities</u>				
Accounts Payable	\$ 1,477.61	\$ 425.89	\$ -	\$ 1,903.50
Accrued Wages & Taxes	877.97	-	279.89	1,157.86
Due To Other Funds	2,996.88	25.96	498.87	3,521.71
Total Liabilities	5,352.46	451.85	778.76	6,583.07
<u>Fund Balances</u>				
Restricted For:				
Public Safety - Building Inspection	1,148.26	-	-	1,148.26
Public Safety - Liquor Enforcement	-	-	1,592.62	1,592.62
Recreation & Culture	-	5,931.08	-	5,931.08
Total Liab. & Fund Balances	\$ 6,500.72	\$ 6,382.93	\$ 2,371.38	\$ 15,255.03

Township of Kimball

Other Supplemental Information
 Combining Statement of Revenues, Expenditures
 And Changes in Fund Balances - Nonmajor Governmental Funds
 For The Year Ended March 31, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Building Inspection Fund	Parks & Recreation Fund	Liquor Enforcement Fund	
Revenues				
Intergovernmental Revenue	\$ -	\$ 42,142.82	\$ 4,317.50	\$ 46,460.32
Charges For Services	-	100.00	-	100.00
Licenses, Fees, & Permits	50,963.42	-	-	50,963.42
Interest Earnings	-	-	96.25	96.25
Other Revenues	-	-	-	-
<u>Total Revenues</u>	50,963.42	42,242.82	4,413.75	97,619.99
Expenditures				
General Government	-	-	-	-
Public Safety	70,474.98	-	3,792.96	74,267.94
Public Works	-	-	-	-
Recreation & Culture	-	36,463.36	-	36,463.36
<u>Total Expenditures</u>	70,474.98	36,463.36	3,792.96	110,731.30
Excess of Revenues Over (Under)				
<u>Expenditures</u>	(19,511.56)	5,779.46	620.79	(13,111.31)
Other Financing Sources (Uses)				
Transfers In (Out)	16,710.47	-	-	16,710.47
Net Change in Fund Balances	(2,801.09)	5,779.46	620.79	3,599.16
Fund Balances - Beginning of Year	3,949.35	151.62	971.83	5,072.80
Fund Balances - End of Year	\$ 1,148.26	\$ 5,931.08	\$ 1,592.62	\$ 8,671.96

Township of Kimball
 Other Supplemental Information
 Combining Statement of Net Assets
 Fiduciary Funds
 March 31, 2012

	<u>Other Trust Funds</u>			<u>Agency Funds</u>		
	<u>Cemetery Perpetual Care Fund</u>			<u>Trust &</u>	<u>Tax</u>	<u>Totals</u>
	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Totals</u>	<u>Agency</u>	<u>Collection</u>	
<u>Trust</u>	<u>Trust</u>	<u>Fund</u>		<u>Fund</u>		
<u>Assets</u>						
Cash & Certificate of Deposit	\$ -	\$ 25,515.67	\$ 25,515.67	\$ 92,754.91	\$ 13,489.17	\$ 106,244.08
Due From Other Funds	-	-	-	2,996.88	-	2,996.88
<u>Total Assets</u>	<u>-</u>	<u>25,515.67</u>	<u>25,515.67</u>	<u>95,751.79</u>	<u>13,489.17</u>	<u>109,240.96</u>
<u>Liabilities & Fund Balance</u>						
<u>Liabilities</u>						
Due To Other Funds	-	120.68	120.68	46,022.58	823.64	46,846.22
Due To Others	-	-	-	49,729.21	12,665.53	62,394.74
<u>Total Liabilities</u>	<u>-</u>	<u>120.68</u>	<u>120.68</u>	<u>\$ 95,751.79</u>	<u>\$ 13,489.17</u>	<u>\$ 109,240.96</u>
<u>Net Assets</u>						
Held in Trust for Cemetery Perpetual Care	-	25,394.99	25,394.99			
Unreserved - Undesignated	-	-	-			
<u>Total Liabilities & Net Assets</u>	<u>\$ -</u>	<u>\$ 25,515.67</u>	<u>\$ 25,515.67</u>			

Township of Kimball
 Other Supplemental Information
 Combining Statement of Changes in Net Assets
 Fiduciary Funds
 March 31, 2012

	Other Trust Funds		
	Cemetery Perpetual Care Fund		Totals
	Expendable Trust	Nonexpendable Trust	
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 60.10	\$ -	\$ 60.10
Sale of Lots - Perpetual Care	-	300.00	300.00
<u>Total Additions</u>	<u>60.10</u>	<u>300.00</u>	<u>360.10</u>
<u>Deductions</u>			
Contribution To (From) Other Funds	60.10	-	60.10
<u>Total Deductions</u>	<u>60.10</u>	<u>-</u>	<u>60.10</u>
<u>Net Increase</u>	-	300.00	300.00
<u>Net Assets - Beginning of Year</u>	-	25,094.99	25,094.99
<u>Net Assets - End of Year</u>	<u>\$ -</u>	<u>\$ 25,394.99</u>	<u>\$ 25,394.99</u>

Township of Kimball

Other Supplemental Information
Schedule of Indebtedness
March 31, 2012

Governmental Activities:

Tri-County Bank Installment Purchase Contract
E-One Typhoon Pumper Fire Truck

Dated: January 26, 2010
Original Issue: \$333,293

	Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
			2012	2011	
	3.25%	10/15/2011	\$ -	\$ 64,570	\$ -
	3.25%	10/15/2012	66,680	66,680	6,714
	3.25%	10/15/2013	68,895	68,895	4,499
	3.25%	10/15/2014	67,637	67,637	2,229
Total Installment Purchase Contract			<u>\$ 203,212</u>	<u>\$ 267,782</u>	<u>\$ 13,442</u>
Total Governmental Installment Contracts			<u>\$ 203,212</u>	<u>\$ 267,782</u>	<u>\$ 13,442</u>

Business-type Activities:

Tri-County Bank Installment Purchase Agreement
CAT Backhoe

Dated: October 26, 2009
Original Issue: \$71,000

	Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
			2012	2011	
	3.30%	4/15/2011	\$ -	\$ 13,622	\$ -
	3.30%	4/15/2012	13,977	13,977	1,447
	3.30%	4/15/2013	14,448	14,448	975
	3.30%	4/15/2014	14,721	14,721	492
Total Installment Purchase Agreement			<u>\$ 43,146</u>	<u>\$ 56,768</u>	<u>\$ 2,913</u>

Township of Kimball
 Other Supplemental Information
 Schedule of Indebtedness
 March 31, 2012

U.S. Bank - 1999 Special Assessment Improvement Bonds, Series A
Limited Tax General Obligation Bonds for Water Line Construction

Dated: April 22, 1999
 Original Issue: \$950,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2012	2011	
4.80%	12/1/2011	\$ -	\$ 50,000	\$ -
4.80%	6/1/2012	-	-	9,407
4.90%	12/1/2012	50,000	50,000	9,407
4.90%	6/1/2013	-	-	8,195
5.00%	12/1/2013	50,000	50,000	8,195
5.00%	6/1/2014	-	-	6,958
5.00%	12/1/2014	55,000	55,000	6,958
5.00%	6/1/2015	-	-	5,582
5.00%	12/1/2015	55,000	55,000	5,582
5.00%	6/1/2016	-	-	4,194
5.00%	12/1/2016	55,000	55,000	4,194
5.00%	6/1/2017	-	-	2,805
5.00%	12/1/2017	55,000	55,000	2,805
5.00%	6/1/2018	-	-	1,402
5.00%	12/1/2018	55,000	55,000	1,402
Total Bond Payable		<u>\$ 375,000</u>	<u>\$ 425,000</u>	<u>\$ 77,086</u>

Township of Kimball
 Other Supplemental Information
 Schedule of Indebtedness
 March 31, 2012

U.S. Bank - 1999 Special Assessment Improvement Bonds, Series B
Limited Tax General Obligation Bonds for Water Line Construction

Dated: April 22, 1999
 Original Issue: \$370,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2012	2011	
4.80%	12/1/2011	\$ -	\$ 20,000	\$ -
4.80%	6/1/2012	-	-	3,490
4.90%	12/1/2012	20,000	20,000	3,490
4.90%	6/1/2013	-	-	3,000
5.00%	12/1/2013	20,000	20,000	3,000
5.00%	6/1/2014	-	-	2,500
5.00%	12/1/2014	20,000	20,000	2,500
5.00%	6/1/2015	-	-	2,000
5.00%	12/1/2015	20,000	20,000	2,000
5.00%	6/1/2016	-	-	1,500
5.00%	12/1/2016	20,000	20,000	1,500
5.00%	6/1/2017	-	-	1,000
5.00%	12/1/2017	20,000	20,000	1,000
5.00%	6/1/2018	-	-	500
5.00%	12/1/2018	20,000	20,000	500
Total Bond Payable		\$ 140,000	\$ 160,000	\$ 27,980

U.S. Bank - 1991 Water Supply System Special Assessment Bonds
Limited Tax General Obligation Bonds for Water Line Construction

Dated: August 1, 1991
 Original Issue: \$640,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2012	2011	
7.10%	10/1/2011	\$ -	\$ 25,000	\$ -
Total Bond Payable		\$ -	\$ 25,000	\$ -

Township of Kimball
 Other Supplemental Information
 Schedule of Indebtedness
 March 31, 2012

U.S. Bank - Special Assessment Improvement Bonds, Series 2003
Sewer Disposal System Bonds for Sewer Line Construction

Dated: November 4, 2003
 Original Issue: \$2,680,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2012</u>	<u>2011</u>	
3.50%	11/1/2011	\$ -	\$ 145,000	\$ -
3.50%	5/1/2012	-	-	35,978
3.63%	11/1/2012	145,000	145,000	35,978
3.63%	5/1/2013	-	-	33,350
3.63%	11/1/2013	145,000	145,000	33,350
3.63%	5/1/2014	-	-	30,722
3.75%	11/1/2014	145,000	145,000	30,722
3.75%	5/1/2015	-	-	28,003
3.90%	11/1/2015	145,000	145,000	28,003
3.90%	5/1/2016	-	-	25,176
4.00%	11/1/2016	145,000	145,000	25,176
4.00%	5/1/2017	-	-	22,276
4.10%	11/1/2017	145,000	145,000	22,276
4.10%	5/1/2018	-	-	19,303
4.20%	11/1/2018	145,000	145,000	19,303
4.20%	5/1/2019	-	-	16,258
4.30%	11/1/2019	145,000	145,000	16,258
4.30%	5/1/2020	-	-	13,141
4.40%	11/1/2020	145,000	145,000	13,141
4.40%	5/1/2021	-	-	9,951
4.50%	11/1/2021	145,000	145,000	9,951
4.50%	5/1/2022	-	-	6,688
4.60%	11/1/2022	145,000	145,000	6,688
4.60%	5/1/2023	-	-	3,353
4.63%	11/1/2023	145,000	145,000	3,353
Total Bond Payable		\$ 1,740,000	\$ 1,885,000	\$ 488,398
Total Business-type Bonds and Purchase Contracts		\$ 2,298,146	\$ 2,551,768	\$ 596,377
Total Long Term Bonds and Purchase Contracts		\$ 2,501,358	\$ 2,819,550	\$ 609,819

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June 14, 2012

Kimball Township
2160 Wadhams Road
Kimball, Michigan 48074

To the Members of the Board:

In planning and performing our audit of the financial statements, as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Kimball's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Township of Kimball's internal control to be significant deficiencies:

Accrual Adjustments – During the audit, I had to make the adjusting journal entries related to the year-end closing process, specifically in connection with the Water and Sewer Special Assessments. Management was able to provide support for the required entries. A well-designed system of internal control includes a process for accurately summarizing and reporting financial data on a timely basis. Providing significant assistance in identifying and posting accrual adjustments to the accounting records meets above definition on a matter to be communicated.

Segregation of Duties - The Township needs to develop policies that assure that there is adequate segregation of duties. The lack of segregation impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion). The Township needs to continue to implement mitigating controls to strengthen internal controls and the segregation of duties and it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

Water and Sewer Revenue Collection – The Township needs to implement additional policies and procedures regarding the revenue collection of the water and sewer revenue. The Township needs to adhere to the "Shut Off" ordinance it has in place to better control the delinquency of the accounts receivable.

In addition to this, Management needs to monitor the overall financial status of the Water and Sewer Fund. The Fund experienced significant financial loss for another year. Management needs to match the gallons purchased with the gallons sold and account for the differences. This process will help to determine the necessity and extent of rate increases.

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Fire Run Collections – The Township needs to implement additional policies and procedures for the billing and collection of fire runs. All incident reports should be received from the fire department. These incident reports should indicate whether the runs are billable or not. An aging accounts receivable should be maintained. On a monthly basis, the aging accounts receivable list needs to be reconciled with the new billings, payments received, and credits to write off accounts. A policy needs to be implemented regarding the writing off of uncollectable accounts which includes someone separate from the billing department sending out the final bill before it is formally written off.

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

Sincerely,

Lehn King

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KING & KING CPAs LLC

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June 14, 2012

Kimball Township
2160 Wadhams Road
Kimball, Michigan 48074

To the Members of the Board:

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 Township of Kimball for the fiscal year ended March 31, 2012, and have issued our report thereon dated June 14, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 20, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Kimball are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Difficulties Encountered in Performing the Audit

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

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Audit Adjustments (Corrected and Uncorrected Misstatements)

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 June 14, 2012.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. 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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of management, the Board of the Township of Kimball, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Lehn L. King, C.P.A.
KING & KING CPAs LLC