

**Township of Bingham
Clinton County, Michigan**

FINANCIAL STATEMENTS

March 31, 2013

Township of Bingham

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Township of Bingham
Clinton County, Michigan

Report on the Financial Statements

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 Bingham, Michigan as of and for the year ended March 31, 2013, 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. 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 Township of Bingham, as of March 31, 2013, 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.

Change in Accounting Principle

As discussed in Note P, during the year the Township implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of this implementation, the format and reporting in the financial statements has been changed to reflect the required components of GASB Statement No. 63, as applicable. Our opinions are not modified with respect to this matter.

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 as identified in the table of contents 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 20, 2013

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

Financial Reporting

This discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2013. Please read it in conjunction with the Township's financial statements.

Financial Highlights

Government-wide:

- Total net position was \$6,902,090.
- Governmental activities net position was \$1,268,836.
- Business-type activity net position was \$5,633,254.

Fund Level:

- At the close of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$1,265,636.
- The General Fund realized \$16,870 less in revenues than anticipated for the fiscal year mainly due to other revenues being less than was budgeted.
- Overall, the General Fund fund balance decreased by a net of \$210,102 to \$305,779 and the Roads and Bridges Special Revenue Fund fund balance increased by \$65,453 to \$690,649.
- The Fire Special Revenue Fund fund balance increased by \$21,194 to \$148,851.

Capital and Long-term Debt Activities:

- The total long-term debt for the Township was \$3,779,808 with a net decrease of \$286,638 from the prior year. See Note G for a detail analysis of all debt related activity for the Township.
- The Township remains below its authorized legal debt limit.
- The total net change to the capital assets for governmental and business-type activities for the Township was a net increase of \$248,583, mainly due to additions to the Sewer and Water systems.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to Bingham Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of Bingham Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position presents all of the Township's assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measures whether the Township's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes.

Both statements report the following activities:

- **Governmental Activities** - Most of the Township's basic services are reported under this category. Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the Township's general government, public safety, public works, and other Township-wide official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Township charges fees to recover the cost of the services provided. The Water Fund and the Sewer Fund are examples of these activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the governmental fund statements (described below) and the government-wide statements, reconciliations are presented between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts related to bonded debt, contracts, installment purchase agreements, etc. appear as liabilities on the government-wide statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Township's general capital assets such as buildings, land, equipment, etc. These values are not included in the governmental fund financial statements.

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bingham Township 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 Bingham Township acts solely as a trustee or agent for the benefit of those outside the government.

The fund financial statements provide information on the Township's significant (major) funds, and the nonmajor fund. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Township include the General Fund, the Road and Bridges Fund, the Fire Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bingham Township maintains four (4) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Roads and Bridges Fund, and the Fire Fund which are considered to be major funds. Data for the other governmental fund is presented into a single, aggregated presentation. Since there is only one (1) nonmajor fund, it is reported as such in the front of the financial statements and there are no combining statements in the back of the financial statements.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and the major governmental funds to demonstrate compliance with this budget.

Proprietary Funds. Bingham Township maintains two (2) proprietary funds. *Enterprise Funds* are a type of proprietary fund and they are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-26 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund and the major governmental funds budgetary comparison schedules.

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of March 31, 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 1,298,924	\$ 1,582,568	\$ 1,170,299	\$ 1,086,552	\$ 2,469,223	\$ 2,669,120
Capital Assets	3,200	3,200	8,293,129	8,044,546	8,296,329	8,047,746
Total Assets	1,302,124	1,585,768	9,463,428	9,131,098	10,765,552	10,716,866
Liabilities						
Current Liabilities	33,288	88,413	320,366	318,801	353,654	407,214
Noncurrent Liabilities	-	-	3,509,808	4,286,358	3,509,808	4,286,358
Total Liabilities	33,288	88,413	3,830,174	4,605,159	3,863,462	4,693,572
Net Position						
Net investment in capital assets	3,200	3,200	4,778,067	3,760,288	4,781,267	3,763,488
Restricted	839,500	752,853	-	-	839,500	752,853
Unrestricted	426,136	741,302	855,187	765,651	1,281,323	1,506,953
Total Net Position	\$ 1,268,836	\$ 1,497,355	\$ 5,633,254	\$ 4,525,939	\$ 6,902,090	\$ 6,023,294

Net position may serve over time as a useful indicator of a government's financial position. Bingham Township's assets exceeded liabilities by \$6,902,090 as of March 31, 2013. The most significant portion of the Township's net position (69 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related outstanding debt used to acquire those assets. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (approximately 12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$1,281,323 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net position increased by \$388,884 during the current year as indicated on the following page.

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 54,456	\$ 59,145	\$ 197,157	\$ 112,524	\$ 251,613	\$ 171,669
Operating Grants and Contributions	4,625	4,968	-	-	4,625	4,968
Capital Grants and Contributions	-	-	397,954	-	397,954	-
General Revenues						
Property Taxes	278,284	333,884	-	-	278,284	333,884
State Shared Revenues	208,894	222,324	-	-	208,894	222,324
Investment Earnings	481	607	77,650	89,609	78,131	90,216
Miscellaneous	12,594	12,747	1,290	-	13,884	12,747
Total Revenues	559,334	633,675	674,051	202,133	1,233,385	835,808
Program Expenses						
General Government	121,391	116,265	-	-	121,391	116,265
Public Safety	176,998	63,208	-	-	176,998	63,208
Public Works	56,972	63,006	-	-	56,972	63,006
Recreation & Culture	360	360	-	-	360	360
Sewer	-	-	278,787	262,751	278,787	262,751
Water	-	-	209,993	305,388	209,993	305,388
Total Program Expenses	355,721	242,839	488,780	568,139	844,501	810,978
Change in net position before transfers	203,613	390,836	185,271	(366,006)	388,884	24,830
Transfers	(432,132)	(202,839)	432,132	202,839	-	-
Change in Net Position	\$ (228,519)	\$ 187,997	\$ 617,403	\$ (163,167)	\$ 388,884	\$ 24,830

Governmental Activities

Governmental activities decreased the Township's net position by \$228,519 during fiscal year 2013. Key elements of this decrease are as follows:

The Township's governmental activities' revenues totaled \$559,334, a decrease from the prior year governmental activities' revenue of \$74,341. This was mainly due to a decrease in property tax revenues received by the Township of \$55,600.

The Township incurred governmental expenses of \$355,721, during 2013, an increase of \$112,882 or approximately 46% from 2012. The majority of these expenses are associated with providing general government services; public safety, which includes fire services; and public works projects, including road projects and bridgework. This increase was mainly caused by the \$105,064 decrease in the Township's equity share of Clinton Area Fire and Rescue as the Township withdrew from this entity.

The Township made net transfers from the governmental funds of \$432,132.

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

Business-type Activities

Business-type activities increased the Township's net position by \$617,403 during fiscal year 2013. The largest increase in the activities was a capital contribution of \$397,954 by a tax payer to tap into the sewer system. The other reason for this increase was due to increased revenue from services provided of \$84,633 from 2012 and decreased expenses of \$79,359 from 2012.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bingham Township as a whole. Bingham Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended March 31, 2013 were the General Fund, the Roads and Bridges Fund, and the Fire Fund (Special Revenue) Funds. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for general government, which incurred expenditures of \$107,913 for the fiscal year. Public works services are supported by a tax millage from the Roads and Bridges Fund and general operating revenues of the General Fund and the Roads and Bridges Fund. The Roads and Bridges Fund was established for maintenance and improvements of roads and bridges and construction bridges within the Township. These services are mainly supported by a special voter-approved millage for roads and bridges. The Fire Fund was established to account for a fire millage that is used to cover public safety costs related to fire activities.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer Fund and the Water Fund at the end of the year amounted to \$774,226 and \$80,961, respectively. The increase in net position for the Sewer System for the fiscal year was \$503,118. Net position for the Water System increased by \$114,285 during the fiscal year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities as noted above.

Financial Analysis of the Township's Major and Nonmajor Funds

As the Township completed the current fiscal year, its governmental funds reported *combined* fund balances of \$1,265,636. This is a net decrease of \$123,455. The net changes are summarized in the following chart:

	General Fund	Roads and Bridges	Fire Fund	Nonmajor Governmental Fund (Building)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance 3/31/12	\$ 515,881	\$ 625,196	\$ 127,657	\$ 120,357
Fund Balance 3/31/13	<u>305,779</u>	<u>690,649</u>	<u>148,851</u>	<u>120,357</u>
Net Change	<u>\$ (210,102)</u>	<u>\$ 65,453</u>	<u>\$ 21,194</u>	<u>\$ -0-</u>

Township of Bingham

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2013

General Fund Budgetary Highlights

As of March 31, 2013, actual General Fund revenues totaled \$385,461, \$16,870 less than the final amended budget. The final amended budget was \$48,531 higher than the original budget and was approximately 4% different than final actual amount. This was mainly due to a combination of lower other revenues and more intergovernmental revenues.

Actual Township expenditures and other financing uses for the fiscal year were \$193,232 over budget. General Fund actual expenditures and other financing uses came in at \$595,563 and the final budgeted amount was \$402,331. This over budget situation was mainly caused by more funds being transferred out of the General Fund to assist other funds than what was budgeted for.

Roads and Bridges Fund

As of March 31, 2013, the Roads and Bridges Fund reported a fund balance of \$690,649, an increase of \$65,453 from the prior year. The final amended revenue budget was \$2,922 less than the original revenue budget and the final amended expenditure and other financing uses budget was \$2,922 less than the original expenditure and other financing uses budget. Actual revenues were less than budgeted as tax revenues were less than anticipated. The fund expended \$43,790 or \$65,788 less than budgeted mainly due to fewer projects in 12/13, but the Township did not amend the budget to reflect those decreases in services.

Fire Fund

As of March 31, 2013, the Fire Fund reported a fund balance of \$148,851, an increase of \$21,194 from the prior year. Actual revenues and other financing sources were \$92,528, which was \$20,289 less than the final amended budget. Expenditures were \$71,334, \$41,483 less than the final budgeted amount of \$112,817.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had invested \$8,296,329 net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$1,726,854 for the Township. Depreciation charges for the fiscal year totaled \$202,956 for the Township. Additional information related to capital assets is detailed in Note F of the Financial Statements. Net book value of capital assets at March 31, 2013 was as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Land	\$ 3,200	\$ 482,675	\$ 485,875
Water and sewer systems, net	-	7,810,454	7,810,454
Capital assets, net	<u>\$ 3,200</u>	<u>\$ 8,293,129</u>	<u>\$ 8,296,329</u>

Long-term Debt. As of March 31, 2013, the Township had \$3,779,808 in debt outstanding for the Business-type Activities. This level of net obligation represents a net decrease of \$286,638 from the obligation recorded as of March 31, 2012. The decrease is mainly due to principal payments on bonded debt. In addition, the Water System contract payable was restated by (\$489,912) at the beginning of the year as described in Note Q.

Township of Bingham
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2013

Outstanding Debt as of March 31, 2013

	Restated April 1, 2012	Additions	Deletions	March 31, 2013
Business-type Activities				
Bonded Debt	\$ 2,660,000	\$ -	\$ 270,000	\$ 2,390,000
Contracts and Agreements Payable	1,406,446	-	16,638	1,389,808
Total Reporting Entity	<u>\$ 4,066,446</u>	<u>\$ -0-</u>	<u>\$ 286,638</u>	<u>\$ 3,779,808</u>

A more detailed discussion of the Township's long-term debt obligations is presented in Note G to the financial statements.

Current Economic Factors

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan continues to experience significant budget problems and as they look for solutions, revenue sharing continues to be under attack. Should the statutory component of revenue sharing be eliminated through State budget cuts, Bingham Township would experience a significant revenue loss.

Additionally, it is expected that our tax revenue will continue to be stagnant for at least the next couple of years. The downturn in the economy has reduced our new housing starts, investment in personal property, and the sale of homes, which uncaps the taxable value. With the current economic forecast and the State budgetary problems the revenues are certain to grow at a much slower pace than in the past.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Supervisor, Clerk, or Treasurer at the Township Hall.

BASIC FINANCIAL STATEMENTS

Township of Bingham
STATEMENT OF NET POSITION
March 31, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 1,860,999	\$ (1,130,630)	\$ 730,369
Receivables	-	217,981	217,981
Due from other governmental units - local	46,301	47,345	93,646
Internal balances	<u>(608,376)</u>	<u>608,376</u>	<u>-0-</u>
Total current assets	1,298,924	(256,928)	1,041,996
Noncurrent assets			
Treatment rights, net	-	264,746	264,746
Receivables	-	1,162,481	1,162,481
Capital assets not being depreciated	3,200	482,675	485,875
Capital assets, net	<u>-</u>	<u>7,810,454</u>	<u>7,810,454</u>
Total noncurrent assets	<u>3,200</u>	<u>9,720,356</u>	<u>9,723,556</u>
TOTAL ASSETS	1,302,124	9,463,428	10,765,552
LIABILITIES			
Current liabilities			
Accounts payable	3,633	19,158	22,791
Accrued liabilities	17,135	-	17,135
Due to other governmental units - local	12,520	-	12,520
Accrued interest payable	-	31,208	31,208
Current portion of long-term debt	<u>-</u>	<u>270,000</u>	<u>270,000</u>
Total current liabilities	33,288	320,366	353,654
Noncurrent liabilities			
Noncurrent portion of long-term debt	<u>-</u>	<u>3,509,808</u>	<u>3,509,808</u>
TOTAL LIABILITIES	<u>33,288</u>	<u>3,830,174</u>	<u>3,863,462</u>
NET POSITION			
Net investment in capital assets	3,200	4,778,067	4,781,267
Restricted			
Roads and bridges	690,649	-	690,649
Fire operations	148,851	-	148,851
Unrestricted	<u>426,136</u>	<u>855,187</u>	<u>1,281,323</u>
TOTAL NET POSITION	<u>\$ 1,268,836</u>	<u>\$ 5,633,254</u>	<u>\$ 6,902,090</u>

See accompanying notes to financial statements.

Township of Bingham
STATEMENT OF ACTIVITIES
Year Ended March 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 121,391	\$ 52,556	\$ -	\$ -	\$ (68,835)	\$ -	\$ (68,835)
Public safety	176,998	1,900	-	-	(175,098)	-	(175,098)
Public works	56,972	-	4,625	-	(52,347)	-	(52,347)
Recreation and culture	360	-	-	-	(360)	-	(360)
Total governmental activities	355,721	54,456	4,625	-0-	(296,640)	-0-	(296,640)
Business-type activities							
Sewer	278,787	180,699	-	397,954	-	299,866	299,866
Water	209,993	16,458	-	-	-	(193,535)	(193,535)
Total business-type activities	488,780	197,157	-0-	397,954	-0-	106,331	106,331
Total government	<u>\$ 844,501</u>	<u>\$ 251,613</u>	<u>\$ 4,625</u>	<u>\$ 397,954</u>	(296,640)	106,331	(190,309)
		General revenues					
		Property taxes			278,284	-	278,284
		State shared revenues			208,894	-	208,894
		Investment earnings			481	77,650	78,131
		Miscellaneous			12,594	1,290	13,884
		Transfers			(432,132)	432,132	-0-
		Total general revenues and transfers			68,121	511,072	579,193
		Change in net position			(228,519)	617,403	388,884
		Restated net position, beginning of the year			1,497,355	5,015,851	6,513,206
		Net position, end of the year			<u>\$ 1,268,836</u>	<u>\$ 5,633,254</u>	<u>\$ 6,902,090</u>

See accompanying notes to financial statements.

Township of Bingham

Governmental Funds

BALANCE SHEET

March 31, 2013

	<u>General</u>	<u>Roads and Bridges</u>	<u>Fire</u>
ASSETS			
Cash	\$ 989,318	\$ 632,807	\$ 118,517
Due from other funds	50,000	53,500	40,269
Due from other governmental units - local	<u>39,354</u>	<u>4,342</u>	<u>2,605</u>
TOTAL ASSETS	<u>\$ 1,078,672</u>	<u>\$ 690,649</u>	<u>\$ 161,391</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,593	\$ -	\$ 40
Due to other funds	752,145	-	-
Due to other governmental units - local	20	-	12,500
Accrued liabilities	<u>17,135</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	772,893	-0-	12,540
FUND BALANCES			
Restricted			
Roads and bridges	-	690,649	-
Fire operations	-	-	148,851
Committed			
Building	-	-	-
Unassigned	<u>305,779</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>305,779</u>	<u>690,649</u>	<u>148,851</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,078,672</u>	<u>\$ 690,649</u>	<u>\$ 161,391</u>

See accompanying notes to financial statements.

<u>Nonmajor Capital Projects Fund (Building)</u>	<u>Total Governmental Funds</u>
\$ 120,357	\$ 1,860,999
-	143,769
-	46,301
<u>\$ 120,357</u>	<u>\$ 2,051,069</u>
\$ -	\$ 3,633
-	752,145
-	12,520
-	17,135
<u>-0-</u>	<u>785,433</u>
-	690,649
-	148,851
120,357	120,357
<u>-</u>	<u>305,779</u>
<u>120,357</u>	<u>1,265,636</u>
<u>\$ 120,357</u>	<u>\$ 2,051,069</u>

Township of Bingham

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

March 31, 2013

Total fund balances - governmental funds \$ 1,265,636

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 32,333	
Accumulated depreciation is	<u>(29,133)</u>	
Capital assets, net		<u>3,200</u>
Net position of governmental activities		<u><u>\$ 1,268,836</u></u>

Township of Bingham

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2013

	General	Roads and Bridges	Fire
REVENUES			
Taxes	\$ 150,067	\$ 104,618	\$ 62,730
Licenses and permits	9,125	-	-
Intergovernmental	208,894	4,625	-
Charges for services	4,300	-	1,900
Interest	481	-	-
Other	12,594	-	-
	<u>385,461</u>	<u>109,243</u>	<u>64,630</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	107,913	-	-
Public safety	600	-	71,334
Public works	13,182	43,790	-
Recreation and culture	360	-	-
Other	13,478	-	-
	<u>135,533</u>	<u>43,790</u>	<u>71,334</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	249,928	65,453	(6,704)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	27,898
Transfers out	(460,030)	-	-
	<u>(460,030)</u>	<u>-0-</u>	<u>27,898</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	(210,102)	65,453	21,194
Fund balances, beginning of year	<u>515,881</u>	<u>625,196</u>	<u>127,657</u>
Fund balances, end of year	<u><u>\$ 305,779</u></u>	<u><u>\$ 690,649</u></u>	<u><u>\$ 148,851</u></u>

See accompanying notes to financial statements.

<u>Nonmajor Capital Projects Fund (Building)</u>	<u>Total Governmental Funds</u>
\$ -	\$ 317,415
-	9,125
-	213,519
-	6,200
-	481
-	12,594
-0-	559,334
-	107,913
-	71,934
-	56,972
-	360
-	13,478
-0-	250,657
-0-	308,677
-	27,898
-	(460,030)
-0-	(432,132)
-0-	(123,455)
120,357	1,389,091
\$ 120,357	\$ 1,265,636

Township of Bingham

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2013

Net change in fund balances - total governmental funds \$ (123,455)

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

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in equity interest in Clinton Area Fire and Rescue (105,064)

Change in net position of governmental activities \$ (228,519)

Township of Bingham
Proprietary Funds
STATEMENT OF NET POSITION
March 31, 2013

	Business-type Activities		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash	\$ (186,681)	\$ (943,949)	\$ (1,130,630)
Accounts receivable	46,874	3,177	50,051
Special assessments receivable	127,659	40,271	167,930
Due from other funds	197,072	461,304	658,376
Due from other governmental units - local	11,918	35,427	47,345
Total current assets	196,842	(403,770)	(206,928)
Noncurrent assets			
Treatment rights, net	264,746	-	264,746
Special assessments receivable	659,465	503,016	1,162,481
Capital assets not being depreciated	482,675	-	482,675
Capital assets, net of accumulated depreciation	4,269,442	3,541,012	7,810,454
Total noncurrent assets	5,676,328	4,044,028	9,720,356
TOTAL ASSETS	5,873,170	3,640,258	9,513,428
LIABILITIES			
Current liabilities			
Accounts payable	9,048	10,110	19,158
Due to other funds	50,000	-	50,000
Accrued interest payable	23,033	8,175	31,208
Current portion of long-term debt	195,000	75,000	270,000
Total current liabilities	277,081	93,285	370,366
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,783,533	1,726,275	3,509,808
TOTAL LIABILITIES	2,060,614	1,819,560	3,880,174
NET POSITION			
Net investment in capital assets	3,038,330	1,739,737	4,778,067
Unrestricted	774,226	80,961	855,187
TOTAL NET POSITION	\$ 3,812,556	\$ 1,820,698	\$ 5,633,254

See accompanying notes to financial statements.

Township of Bingham

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended March 31, 2013

	Business-type Activities		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 180,699	\$ 16,458	\$ 197,157
Other	1,290	-	1,290
TOTAL OPERATING REVENUES	181,989	16,458	198,447
OPERATING EXPENSES			
Supplies	352	1,609	1,961
Contractual services	19,981	62,833	82,814
Utilities	4,080	8,102	12,182
Repairs and maintenance	14,461	3,430	17,891
Depreciation and amortization	106,360	103,950	210,310
Other	48,689	4,981	53,670
TOTAL OPERATING EXPENSES	193,923	184,905	378,828
OPERATING (LOSS)	(11,934)	(168,447)	(180,381)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	57,967	19,683	77,650
Interest and fiscal charges	(84,864)	(25,088)	(109,952)
TOTAL NONOPERATING REVENUES (EXPENSES)	(26,897)	(5,405)	(32,302)
(LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(38,831)	(173,852)	(212,683)
CAPITAL CONTRIBUTIONS	397,954	-	397,954
TRANSFER IN	143,995	288,137	432,132
CHANGE IN NET POSITION	503,118	114,285	617,403
Restated net position, beginning of year	3,309,438	1,706,413	5,015,851
Net position, end of year	\$ 3,812,556	\$ 1,820,698	\$ 5,633,254

See accompanying notes to financial statements.

Township of Bingham

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2013

	Business-type Activities		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 294,596	\$ 58,924	\$ 353,520
Cash paid to suppliers and other funds	(224,897)	(360,020)	(584,917)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	69,699	(301,096)	(231,397)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases	-	(53,585)	(53,585)
Principal payments	(211,638)	(75,000)	(286,638)
Transfers in	143,995	288,137	432,132
Interest and fiscal charges paid	(88,907)	(26,213)	(115,120)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(156,550)	133,339	(23,211)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	57,967	19,683	77,650
NET (DECREASE) IN CASH	(28,884)	(148,074)	(176,958)
Cash, beginning of year	(157,797)	(795,875)	(953,672)
Cash, end of year	<u>\$ (186,681)</u>	<u>\$ (943,949)</u>	<u>\$ (1,130,630)</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (11,934)	\$ (168,447)	\$ (180,381)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	106,360	103,950	210,310
(Increase) Decrease in:			
Due from other governmental units	(1,918)	1,443	(475)
Receivables	114,525	41,023	155,548
Due from other funds	(143,995)	(279,137)	(423,132)
Increase in:			
Accounts payable	6,661	72	6,733
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 69,699</u>	<u>\$ (301,096)</u>	<u>\$ (231,397)</u>
Schedule of noncash capital and related financing activities			
Contribution of capital assets	\$ 397,954	\$ -	\$ 397,954

See accompanying notes to financial statements.

Township of Bingham

Fiduciary Fund

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2013

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 1,222</u>
LIABILITIES	
Due to others	<u>\$ 1,222</u>

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bingham, Michigan (the Township) was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one (1) of sixteen (16) Townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, water, sewer, and roads.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, these financial statements present the financial activities of the Township of Bingham. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Bingham contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide statements) present information for the government as a whole. All nonfiduciary activities are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. 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 support.

The statement of activities presents the direct functional expenses of the government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and the nonmajor fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Road and Bridges Fund accounts for the tax millage levied for the maintenance of roads and bridges.
- c. The Fire Fund accounts for the tax millage levied for the related fire protection costs incurred by the Township.

The Township reports the following major enterprise funds:

- a. The Sewer Fund accounts for resources generated by providing sewer services to certain residents of the Township; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Water Fund accounts for resources generated by providing water services to certain residents of the Township; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

The Township also reports an agency fund to account for assets held by the Township as an agent for other governments or individuals. Agency funds are, by nature, custodial, therefore, operation results are not measured. The Township's agency fund is the Current Tax Fund.

3. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets for General and Special Revenue Funds are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the budget is adopted on a departmental (activity) level through passage of a Board resolution after a public hearing is held to obtain taxpayers comments. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and Special Revenue Funds.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

6. Cash

Cash consists of checking and savings accounts.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Receivables

Receivables consist of amounts due from governmental units for delinquent real property taxes and state shared revenues and amounts due from various individuals and businesses related to charges for services and special assessments.

8. Property Tax

Bingham Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service. Additional amounts for roads and bridges, library, and fire and EMS operations also are levied by the Township. For the year ended March 31, 2013, the Township levied 1.0 mill for general governmental services, 1.0 mill for roads and bridges, and 0.6000 mills for fire and EMS operations. The total taxable value for the 2012 levy for property within the Township was \$104,687,340.

9. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Capital Assets

Capital assets include land, buildings, equipment, and sewer and water utility systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. The Township's policy related to capital assets states that capital assets are those assets with an estimated useful life of more than one year. Capital assets are recorded in the proprietary funds, but not the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	5 - 50 years
Equipment	4 - 7 years
Utility systems	10 - 50 years

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary funds when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

12. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the proprietary funds and government-wide financial statements.

13. Restrictions of Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

14. Treatment Rights

The Township of Bingham has contracted with the City of St. Johns for the right to distribute wastewater through City pipes to treat wastewater produced in the Township. These treatment rights are considered an intangible asset and are treated similar to capital assets in the financial statements.

These rights are being amortized over the period of the related intergovernmental agreement for sanitary sewage services between the Township and the City which is 40 years.

15. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: POOLING OF CASH

The Township's balance sheet reflects cash in two (2) funds with a negative balance. These amounts do not represent actual bank overdrafts; rather, it merely reflects that these funds have disbursed amounts from the Township's common checking account in excess of the amounts recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as an asset as of March 31, 2013, as reported in the financial statements, is as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>
Sewer	\$ (186,681)
Water	<u>(943,949)</u>
	<u>\$ (1,130,630)</u>

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE C: CASH

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits if they are not federally insured. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2013, the carrying amounts of the Township's deposits were \$731,591 and the total bank balances were \$731,481, of which \$500,000 was covered by federal depository insurance. The remaining \$231,481 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash may have been substantially higher at these peak periods than at year-end.

Credit risk

State law limits municipalities to certain types of investment vehicles that have a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2013, the Township did not have any accounts that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE C: CASH - CONTINUED

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

As of March 31, 2013, the cash referred to above has been reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	<u>\$ 1,860,999</u>	<u>\$ (1,130,630)</u>	<u>\$ 1,222</u>	<u>\$ 731,591</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2013, are as follows:

Due to General Fund from:	
Sewer Fund	<u>\$ 50,000</u>
Due to Roads and Bridges Fund from:	
General Fund	<u>\$ 53,500</u>
Due to Fire Fund from:	
General Fund	<u>\$ 40,269</u>
Due to Sewer Fund from:	
General Fund	<u>\$ 197,072</u>
Due to Water Fund from:	
General Fund	<u>\$ 461,304</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for items paid for out of one fund that relate to goods or services that benefit another fund.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers from General Fund to:	
Fire Fund	\$ 27,898
Sewer Fund	143,995
Water Fund	<u>288,137</u>
	<u>\$ 460,030</u>

The transfers from the General Fund were to assist with operational expenses of the various funds.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2013 was as follows:

	Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,200	\$ -	\$ -	\$ 3,200
Capital assets being depreciated				
Buildings	6,985	-	-	6,985
Equipment and furniture	<u>22,148</u>	<u>-</u>	<u>-</u>	<u>22,148</u>
Subtotal	29,133	-0-	-0-	29,133
Less accumulated depreciation for:				
Buildings	(6,985)	-	-	(6,985)
Equipment and furniture	<u>(22,148)</u>	<u>-</u>	<u>-</u>	<u>(22,148)</u>
Subtotal	<u>(29,133)</u>	<u>-0-</u>	<u>-0-</u>	<u>(29,133)</u>
Net capital assets being depreciated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Capital assets, net	<u>\$ 3,200</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,200</u>

Township of Bingham
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013
Business-type activities				
Capital assets not being depreciated				
Land - Sewer	\$ 482,675	\$ -	\$ -	\$ 482,675
Capital assets being depreciated				
Sewer system	4,952,205	397,954	-	5,350,159
Water system	4,104,431	53,585	-	4,158,016
Subtotal	9,056,636	451,539	-0-	9,508,175
Less accumulated depreciation for:				
Sewer system	(981,711)	(99,006)	-	(1,080,717)
Water system	(513,054)	(103,950)	-	(617,004)
Subtotal	(1,494,765)	(202,956)	-0-	(1,697,721)
Net capital assets being depreciated	7,561,871	248,583	-0-	7,810,454
Capital assets, net	<u>\$ 8,044,546</u>	<u>\$ 248,583</u>	<u>\$ -0-</u>	<u>\$ 8,293,129</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2013:

	Restated Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013	Amounts Due Within One Year
Business-type Activities					
1999 Sewer bonds	\$ 1,280,000	\$ -	\$ 160,000	\$ 1,120,000	\$ 160,000
Water/Sewer south bonds - water	620,000	-	75,000	545,000	75,000
Lagoon contract payable - sewer	150,171	-	16,638	133,533	-
Water system contract payable	1,256,275	-	-	1,256,275	-
2009 Capital Improvement bonds - sewer	760,000	-	35,000	725,000	35,000
	<u>\$ 4,066,446</u>	<u>\$ -0-</u>	<u>\$ 286,638</u>	<u>\$ 3,779,808</u>	<u>\$ 270,000</u>

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Bonds

\$3,055,000 Clinton County Sanitary Sewer Project Revenue Bonds, dated May 1, 1999. Annual installments of \$160,000 through May 1, 2019, with interest ranging from 4.80 to 5.00 percent, payable semi-annually.	\$ 1,120,000
\$995,000 Water/Sewer South Revenue Bonds, dated June 1, 2007. These bonds were used for water system construction only. Annual installments range from \$75,000 to \$80,000 through June 1, 2019, with interest rate of 4.5 percent, payable semi-annually.	545,000
\$825,000 Capital Improvement Bonds, dated June 22, 2009. These bonds were used for sewer system improvements. Annual installments of \$35,000 to \$50,000 through October 1, 2029, with interest rate of 2.5 percent, payable semi-annually.	<u>725,000</u>
	<u><u>\$ 2,390,000</u></u>

Installment Loans

\$350,000 Lagoon Contract Payable - Revenue from the Township's portion of utility billings at the Meadows Trailer Park has been pledged to pay principal and interest on this debt. Principal and interest payments are made quarterly which are equal to the previous quarter's Township sewer charges at the Meadows Trailer Park. It is estimated that it will take seven to eight years to pay the principal of this debt based on current levels of revenue that has been pledged. Interest on this debt is 7.00 percent.	\$ 133,533
\$1,769,648 Water System Contract Payable, dated December 30, 2005. This debt is a reimbursement agreement that is not a general obligation debt of the Township. Principal payments due on this debt are based on the contractually agreed to tap-in fees per resident equivalents that tap into the system. Principal payments will be made quarterly based on the tap-in fee collected in that quarter.	<u>1,256,275</u>
	<u><u>\$ 1,389,808</u></u>

Year Ending March 31,	Revenue Bonds		2009 Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 235,000	\$ 74,278	\$ 35,000	\$ 18,126
2015	235,000	63,183	35,000	17,250
2016	235,000	52,008	35,000	16,376
2017	240,000	40,600	35,000	15,500
2018	240,000	29,000	40,000	14,626
2019-2023	480,000	23,200	210,000	58,004
2024-2028	-	-	235,000	30,502
2029-2031	-	-	100,000	3,750
	<u>\$ 1,665,000</u>	<u>\$ 282,269</u>	<u>\$ 725,000</u>	<u>\$ 174,134</u>

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE G: LONG-TERM DEBT - CONTINUED

Due to the fact that there is no set principal repayment schedules in place for the \$350,000 lagoon contract payable or the \$1,769,648 water system contract payable, these outstanding balances at March 31, 2013 of \$133,533 and \$1,256,275 are not included in the above schedule. The formal maturity schedules for those debts are unknown.

Revenues pledged for the payment of the \$350,000 Lagoon Contract payable totaled \$26,726, or approximately 26.5% of the \$101,014 sewer usage fees for the year ended March 31, 2013. Of the \$26,726 pledged, \$10,088 was applied to accrued interest, and the remaining \$16,638 was applied to the principal.

NOTE H: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for auto, property, wrongful acts, EDP, crime, inland marine, electronic equipment, public official bond, employee dishonesty, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE I: RETIREMENT PLAN

The Township is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Bingham Pension Plan is a defined contribution pension benefit plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on the investments of those contributions. The Township Pension Plan is administered by Aetna Life Insurance Company.

The Township is required to contribute 3.75% of eligible participating employees' gross compensation to the plan with immediate vesting. Eligible participating employees are defined in the plan documents. They are required to contribute an additional 3.75% of their gross compensation to the plan. For the year ended March 31, 2013, the Township had a total payroll of \$64,047. The Township of Bingham Retirement Plan covered a payroll of \$59,925. Contributions to the pension plan by the Township for the year ended March 31, 2013, were \$2,260.

NOTE J: RELATED PARTY TRANSACTIONS

The Township engaged in business transactions with a vendor, Trinity Engineering, which is partially owned and operated by one of the Township trustees. These transactions to pay for professional engineering services were made in the normal course of business and amounted to \$2,244 for the year ended March 31, 2013.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE K: CONTINGENCIES

There are various potential legal actions pending with the Township. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. Those various other legal actions for which a reasonable estimate can be determined of the Township's potential liability and that would not be covered by insurance and reserves, if any, are considered by Township management and legal counsel to be immaterial.

The Township has entered into an agreement with the Meadows Trailer Park that requires the Township to supply up to eighty-four (84) sewer taps to the Meadows at no cost to the Meadows at some point in time in the future.

NOTE L: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township's highest level of decision-making authority is the Board of Trustees. Formal action that is required to be taken to establish a fund balance commitment is a resolution from the Township Board.

For assigned fund balance, the Township has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board of Trustees.

The Township has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE M: GOING CONCERN

Prior to the current year there was a concern about the Township's ability to continue as a going concern for a reasonable period of time after year-end due to a variety of factors including failure to make debt payments in a timely fashion in previous years, negative cash flow situations, significant negative cash balances in certain funds, current and potential future litigations, and a variety of other factors. These factors could have had a lasting negative impact on the Township in that the Township would not have the ability to function as a going concern in the future.

Management established a plan in previous years and continues to work on that plan and modifies the plan as necessary with the intention that the plan will mitigate the effects of the above noted issues in an attempt to rectify the Township's financial condition. This management plan includes restructuring certain debts so that cash flow is more manageable for the Township, refraining from only paying future debt payments on debts that legally require periodic payments, and continuing to monitor and reduce costs throughout all Township funds in order to continue to find a balance between providing the appropriate level of services to Township constituents and attempting to correct the financial condition of the Township, while pursuing all options to increase revenues for the Township and create more financial stability. This plan, and any other options that may arise in the future for the Township, continue to be reviewed by the Board in order to restore the Township to an overall positive financial position. The Township Board realizes the going concern issues that are present, and while their plans are no guarantee for financial stability, they continue to plan for the Township's continuation as a going concern. If this plan to return the Township to financial stability is not successful, the substantial doubt about the Township's ability to continue as a going concern will continue to be an issue.

NOTE N: TREATMENT RIGHTS

The intangible asset presented as treatment rights in the Proprietary (Sewer) Fund Statement of Net Position is summarized as follows:

Treatment rights, gross	\$ 294,162
Less: Accumulated amortization	<u>(29,416)</u>
Treatment rights, net	<u>\$ 264,746</u>

These rights are being amortized over the life of the intergovernmental agreement at \$7,354 per year.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interest in legally separate organizations. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2014 fiscal year.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement will be effective for the Township's fiscal year ended March 31, 2014. The Statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted.

Township of Bingham

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the Township's 2014-2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2014-2015 fiscal year.

NOTE P: CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented during the current fiscal year. The Statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This Statement also provides a new format to certain financial statements to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance, when applicable.

NOTE Q: RESTATEMENT OF NET POSITION

The Water Fund's beginning net position was increased by \$489,912 due to a correction of an overstated long-term debt related to the Water System Contract Payable which was adjusted from \$1,746,187 to \$1,256,275 at the beginning of the year. This adjustment increased net position in the Water Fund/Business-Type Activities from \$1,216,501 to \$1,706,413 and \$4,525,939 to \$5,015,851, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bingham

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 157,900	\$ 150,218	\$ 150,067	\$ (151)
Licenses and permits	8,600	9,124	9,125	1
Intergovernmental	180,000	200,000	208,894	8,894
Charges for services	800	700	4,300	3,600
Interest	500	140	481	341
Other	6,000	42,149	12,594	(29,555)
TOTAL REVENUES	353,800	402,331	385,461	(16,870)
EXPENDITURES				
Current				
General government				
Township board	28,700	25,964	26,026	(62)
Chief executive	13,675	13,575	13,575	-0-
Clerk	20,400	20,300	20,300	-0-
Board of review	600	728	729	(1)
Treasurer	24,000	23,985	23,986	(1)
Assessor	16,150	16,150	13,922	2,228
Elections	5,100	5,712	5,772	(60)
Building and grounds	2,900	3,000	3,603	(603)
Total general government	111,525	109,414	107,913	1,501
Public safety				
Liquor inspector	600	600	600	-0-
Public works				
Recycling	2,500	2,500	2,500	-0-
Drains	7,600	4,048	4,049	(1)
Highways, streets, and bridges	-	6,000	6,633	(633)
Total public works	10,100	12,548	13,182	(634)
Recreation and culture				
Library	360	360	360	-0-

Township of Bingham

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Current - continued				
Other				
Insurance	\$ 4,000	\$ 6,078	\$ 6,078	\$ -0-
Fringe benefits	3,525	3,187	3,189	(2)
Other	2,400	4,211	4,211	-0-
Total other	<u>9,925</u>	<u>13,476</u>	<u>13,478</u>	<u>(2)</u>
TOTAL EXPENDITURES	<u>132,510</u>	<u>136,398</u>	<u>135,533</u>	<u>865</u>
EXCESS OF REVENUES OVER EXPENDITURES	221,290	265,933	249,928	(16,005)
OTHER FINANCING (USES)				
Transfers out	<u>(221,290)</u>	<u>(265,933)</u>	<u>(460,030)</u>	<u>(194,097)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(210,102)	(210,102)
Fund balance, beginning of year	<u>515,881</u>	<u>515,881</u>	<u>515,881</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 515,881</u>	<u>\$ 515,881</u>	<u>\$ 305,779</u>	<u>\$ (210,102)</u>

Township of Bingham
Roads and Bridges Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 108,000	\$ 104,953	\$ 104,618	\$ (335)
Intergovernmental	4,500	4,625	4,625	-0-
TOTAL REVENUES	112,500	109,578	109,243	(335)
EXPENDITURES				
Current				
Public works				
Highways and streets	112,500	109,578	43,790	65,788
NET CHANGE IN FUND BALANCE	-0-	-0-	65,453	65,453
Fund balance, beginning of year	625,196	625,196	625,196	-0-
Fund balance, end of year	<u>\$ 625,196</u>	<u>\$ 625,196</u>	<u>\$ 690,649</u>	<u>\$ 65,453</u>

Township of Bingham

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 108,000	\$ 64,953	\$ 62,730	\$ (2,223)
Charges for services	2,100	1,300	1,900	600
TOTAL REVENUES	110,100	66,253	64,630	(1,623)
EXPENDITURES				
Current				
Public safety	110,100	112,817	71,334	41,483
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(46,564)	(6,704)	39,860
OTHER FINANCING SOURCES				
Transfers in	-	46,564	27,898	(18,666)
NET CHANGE IN FUND BALANCE	-0-	-0-	21,194	58,526
Fund balance, beginning of year	127,657	127,657	127,657	-0-
Fund balance, end of year	<u>\$ 127,657</u>	<u>\$ 127,657</u>	<u>\$ 148,851</u>	<u>\$ 58,526</u>

Township of Bingham

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2013

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2013, the Township incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Township board	\$ 25,964	\$ 26,026	\$ 62
Board of review	728	729	1
Treasurer	23,985	23,986	1
Elections	5,712	5,772	60
Building and grounds	3,000	3,603	603
Public works			
Drains	4,048	4,049	1
Highways, streets, and bridges	6,000	6,633	633
Other			
Fringe benefits	3,187	3,189	2
Other Financing Uses			
Transfer out	265,933	460,030	194,097

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Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
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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

To the Members of the Township Board
Township of Bingham
Clinton County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bingham, Michigan (the Township) as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in the Township's internal control to be material weaknesses:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement items were proposed by the auditors. These journal entries were to correct misstatements that were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust cash, special assessment receivable, accounts payable, long-term debt, revenue and expenditure/expense reclassifications, capital assets, and depreciation expense. A similar issue was noted and reported in our audit comments last year.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations, and cash flows (where applicable) including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

SPECIAL ASSESSMENTS

During our analysis of special assessments for the Water and Sewer Funds, we noted assessments related to four (4) of the original participants of the water system that were reflected in the beginning assessment roll information where documentation could not be located to indicate that the initial assessments were ever paid so therefore they were included in the year-end receivable balance. As it related to these assessments and the overall water/sewer project, it was indicated that an agreement was reached with the developer that waived the original tap-in fees but there was no written documentation to support this agreement which happened prior to the 07/08 fiscal year. This issue was noted and reported in our audit comments last year.

We recommend the Township evaluate all aspects of the water and sewer special assessments and the noted tap-in fees to assure all information is recorded correctly and all appropriate values are reflected in the financial statements. Based on the information provided during prior audit fieldwork it appeared these amounts were materially accurate but the Township should perform a detailed analysis to confirm the accuracy of the information provided on a parcel-to-parcel basis.

WATER AND SEWER FUNDS FINANCIAL STABILITY

During our analysis of the Sewer Fund, we noted that there is a potential concern with this fund's long-term financial stability and its ability to pay future debts and cover operational costs. At March 31, 2013, the Sewer Fund had approximately \$787,000 in special assessment receivables and negative cash of approximately \$191,000 and this fund's long-term debt related to the special assessment projects has over \$1.9 million in principal still outstanding at year-end. At March 31, 2013, the Water Fund had approximately \$543,000 in special assessment receivables and a negative cash of approximately \$944,000 and bonded debt of \$545,000 and an additional \$1.3 million in installment purchase agreement principal still outstanding at year-end. There is a concern that the Township may not be able to make all water and sewer fund debt payments in the future. Also, during our analysis of the Sewer and Water funds results of operations, it was noted that both funds had operating losses again this year. These funds have had operating losses for several years. The intention of Enterprise Funds is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. This issue was noted and reported in our audit comments last year.

We recommend all aspects of the Water and Sewer Funds be analyzed to assure the Township is able to meet its future obligations within these funds and also maintain general operations of the water and sewer activities. We further recommend the Township review the rates being charged for both sewer and water service to determine if they are sufficient to support the operations of these funds. The Township may need to evaluate rates or examine the possibilities of reducing expenses in both funds.

BANK RECONCILIATIONS

During our analysis of the Township's restricted cash pooled bank account and the current tax bank account, we noted that formal bank reconciliations had not been performed in a timely manner during the year on these accounts which would include accounting for reconciling items and agreeing these balances to the Township's computerized general ledger. A reconciliation was prepared for the year ended March 31, 2013, and all journal entries were made during the audit process to properly reflect all cash balances accurately in the audit.

We recommend formal bank reconciliations be completed for all accounts in a timely manner and any adjustments noted should be investigated, supported, and resolved within a reasonable time after each month-end to assure accuracy of the cash amounts in the general ledger.

SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that the Township may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. A similar issue was noted and reported in our audit comments last year.

While this is a common occurrence in many smaller organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. In smaller entities, where the number of employees is limited and duties cannot be adequately separated, the Township's other Board members may need to provide a greater review and supervision of certain functions and procedures.

SEGREGATION OF DUTIES - CONTINUED

We recommend that the Township continue to work on this area and review various areas of operation and consider appropriate segregation duties to provide better internal controls in all areas.

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's internal control to be significant deficiencies.

PREPARATION OF FINANCIAL STATEMENTS

Governmental entities are required to issue financial statements that are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. That responsibility for the financial statements rests with the Township. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting of all applicable financial statements, including the related note disclosures (i.e., external financial reporting). The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider providing applicable employees with training that would allow them to attain the qualifications required to fully understand the GAAP financial statement preparation process.

This recommendation is not intended to imply that the Township's contractual arrangement with the independent auditors, which includes preparation of financial statements, is improper, or should be changed.

ALLOCATIONS OF CERTAIN COSTS

During our analysis of Township costs being charged to the various funds it was noted that there potentially are costs that could be paid for out of other funds other than the General Fund. Some of those costs include buildings and grounds; drains; and highway, streets, and bridges. It was also noted that the General Fund is paying all costs related to the administration of the other funds without having any of those costs spread to the applicable funds that are receiving the benefits. This issue was noted and reported in our audit comments last year.

We recommend the Township review all costs being charged to all the funds to assure the appropriate costs are being charged to the funds that are truly receiving the benefits.

GOING CONCERN

As described in the notes to the financial statements, there was a going concern issue that arose during the conducting of prior audit procedures and continues to be an issue in the current year. Based on our analysis it appeared that the Township continues to take steps to mitigate this going concern issue but there was not a formal written detailed management plan set in place by the Board to use as a "best practices guide" for the Board to officially follow in order to regain financial stability in the Township. This issue was noted and reported in our audit comments last year.

We recommend the Township put in place a formal, written, management plan detailing exactly the steps they have taken and will take in the future to ensure that the Township does not have a going concern issue.

WATER AND SEWER BILLING PROCEDURES

During our analysis of the Water and Sewer billing procedures, we noted that the City of St. Johns handles all aspects of utility billings and collections. We were unable to verify the procedures performed by the Township to reconcile all activity and to verify that the information provided to the Township by the City was complete, accurate and being properly reconciled by the Township, in regards to billings, collections, and payments remitted to the Township. This issue was noted and reported in our audit comments last year.

We recommend the Township review procedures related to water and sewer billings and collections to assure that the information provided by the City of St. Johns is properly verified as accurate and reconciled to supporting documentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with other provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters.

WATER SYSTEM CONTRACT PAYABLE DIFFERENCE

During our analysis of the Water Fund, we noted that there was an unresolved difference between what the Township has determined the outstanding debt is at year-end on this contract and what the creditor believes is owed. There is an unresolved difference of \$577,222 between the bank and the Township. The Township contends that the original agreement was a reimbursement agreement for actual expenses incurred and not a debt obligation. As a result, there should be no interest payments and all previous interest payments should be applied as a reduction of the principal amount. However, the creditor believes that the obligation is a debt obligation and the Township, in fact, does owe interest on the principal amount.

We recommend that the Township continue to work with legal counsel and the creditor to resolve this issue and make any adjustments to the general ledger if necessary.

UNFAVORABLE BUDGET VARIANCES

As noted in the financial statements, certain expenditures of the Township exceeded the amounts appropriated. The variances noted were in the General Fund. A similar issue was noted and reported in our audit comments last year.

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of the members of the Township Board of the Township of Bingham, others within the government, and applicable departments of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 20, 2013