

**CHARTER TOWNSHIP OF BREITUNG**  
**DICKINSON COUNTY, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2010**



**DECEMBER 31, 2010**

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**ELECTED OFFICIALS**

Supervisor .....	Dennis Olson
Clerk .....	Samantha Coron
Treasurer .....	Anne Cahee
Trustee .....	Mary Beth Dixon
Trustee .....	John Erickson
Trustee .....	John Gaudette
Trustee .....	Russ Garrett

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Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



## **INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Breitung as of and for the year then ended December 31, 2010, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 16, 2011 on our consideration of the Charter Township of Breitung's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 35 through 37 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Breitung's basic financial statements. The additional information on pages 39 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subject to the auditing procedures applied in the audit of the financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

May 16, 2011

**Charter Township of Breitung  
Management's Discussion and Analysis  
December 31, 2010**

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This section of the Charter Township of Breitung's (the Township's) annual Financial Report presents Management's Discussion and Analysis of the Township's financial activities during the fiscal year ended December 31, 2010. The analysis focuses on the Township's financial performance as a whole. It is intended to be read as part of the Township's financial statements, which immediately follows this section.

**Financial Highlights**

The 2010 fiscal year for the Charter Township of Breitung can be best categorized as one of status quo. While the operating millage was brought back to the 2008 rate of 4.2 mills as a result of a defeated millage proposal in 2009, there were no significant operational changes or new programs proposed or implemented during the fiscal year. A great deal of the townships financial caution is based on the anticipated legislative changes proposed by the State of Michigan. For example the State Revenue Sharing program continues to decline as a major source of operating funds for the township and General Fund in particular. With the corresponding decrease in revenue sharing the Townships operating millage assumes the burden of the loss to maintain current operations.

In 2010 the township, at the request of Verso paper mill approved a Forest Products Renaissance Zone for approximately 26 acres of the mill property. Verso intends to build and install a 48 million dollar turbine to be powered by bio-fuel from the surrounding area. The Renaissance Zone resulted in approximately \$26,000 loss in real and personal property tax for the Township and corresponding reductions for other taxing units in the Township. The project is intended to solidify the long term operation of the Verso mill and tax base for the Township.

The Township continued to build the General Fund fund balance in the 2010 fiscal year by adding \$240,316 bringing the unrestricted fund balance to \$2,122,014. With the lingering effects of the recession and housing melt down, the Township is positioning itself for more drastic changes in the future. With the election of a new Governor and shift in local government financial policy expected from the new administration, traditional revenue sources and operating procedures are expected to change dramatically. As a result the Township is preparing for the yet to be determined changes by maintaining and increasing its operating reserves to serve as a buffer for the future. In addition to a financial buffer the Township is expecting a rise in interest rates to produce increased interest revenue for the Township from the investment of its surplus funds and possibly an offset to future state mandated revenue reductions.

In anticipation of future development, the Township is pursuing a special assessment program to implement a limited sanitary sewer system in the Township. USDA Rural Development has awarded the Township \$3.3 million in loans and grants for the project and the Township is actively developing the special assessments as a means to start design engineering and working toward the issuance of a capital improvement bond.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Township's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Township as a whole and represent an overall view of the Township's finances.

**Overview of the Financial Statements - Continued**

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the Township is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Township's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the Township's net assets are one way to determine if the financial position of the Township is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Township.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

Governmental Activities - Most of the Township's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Charter Township of Breitung, the General Fund, Refuse Collection and Improvement Revolving Funds meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - The Township's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Township's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the Non-major governmental funds and Water Funds.

**Overview of the Financial Statements - Continued**

Governmental Funds - The Township's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Township's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Township's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business-like activities. In general, these funds charge a fee for their services. The Township uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Township's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

Internal service funds provide services to other Township activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Township's Motor Vehicle Fund is an internal service fund.

**Charter Township of Breitung  
Management's Discussion and Analysis  
December 31, 2010**

**Summary of Net Assets**

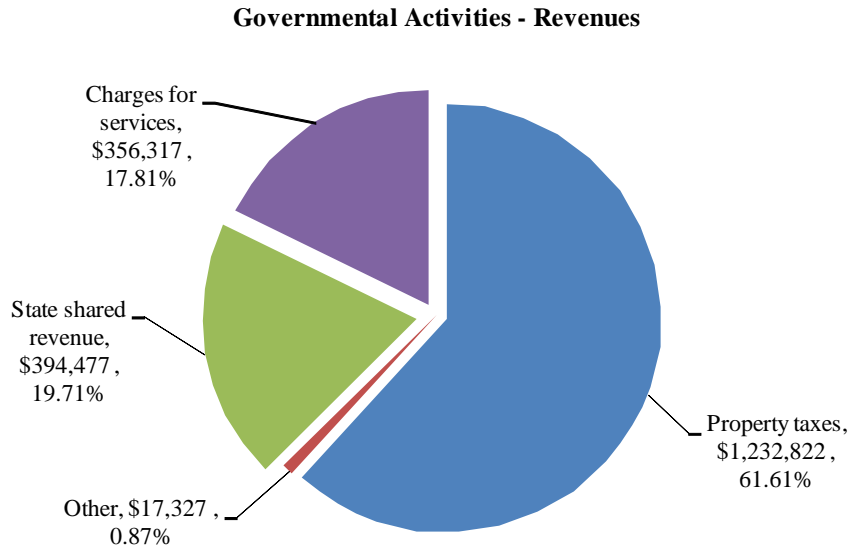
	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
<b>Assets</b>				
Current and other assets	\$ 3,289,188	\$ 3,004,050	\$ (9,057)	\$ (81,165)
Restricted cash	178,959	170,434	307,769	281,971
Capital assets - Net of accumulated depreciation	2,346,596	2,335,180	1,846,355	1,897,511
<b>Total Assets</b>	<b>\$ 5,814,743</b>	<b>\$ 5,509,664</b>	<b>\$ 2,145,067</b>	<b>\$ 2,098,317</b>
<b>Liabilities</b>				
Current liabilities	\$ 410,414	\$ 343,797	\$ 50,416	\$ 53,975
Long-term liabilities	-	-	173,881	210,714
<b>Total Liabilities</b>	<b>410,414</b>	<b>343,797</b>	<b>224,297</b>	<b>264,689</b>
<b>Net Assets</b>				
Invested in property and equipment - net of related debt	2,346,596	2,335,180	1,635,558	2,144,079
Restricted	178,959	170,434	307,769	281,971
Unrestricted	2,878,774	2,660,253	(22,557)	(592,422)
<b>Total Net Assets</b>	<b>5,404,329</b>	<b>5,165,867</b>	<b>1,920,770</b>	<b>1,833,628</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,814,743</b>	<b>\$ 5,509,664</b>	<b>\$ 2,145,067</b>	<b>\$ 2,098,317</b>

**Results of Operations**

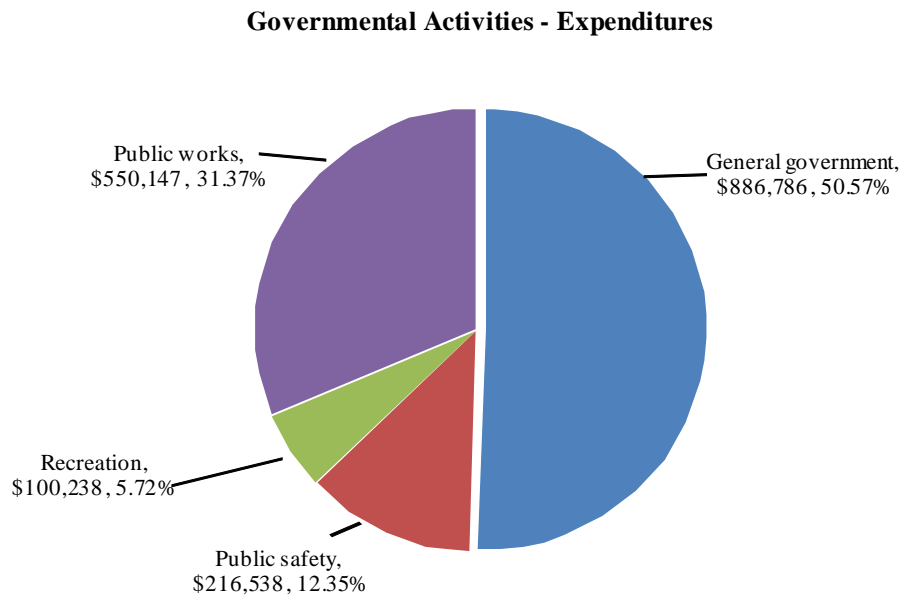
	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
<b>Revenues</b>				
<b>Program Revenue:</b>				
Charges for services	\$ 356,317	\$ 349,212	\$ 388,671	\$ 396,270
Grants and contributions	-	35,049	-	-
Capital grants and contributions	-	-	-	-
<b>General Revenue:</b>				
Property taxes	1,232,822	1,388,680	-	-
State shared revenue	394,477	374,869	-	-
Other	17,327	51,055	11,867	3,515
<b>Total Revenue</b>	<b>2,000,943</b>	<b>2,198,865</b>	<b>400,538</b>	<b>399,785</b>
<b>Functions/Program Expenses</b>				
General government	886,786	709,894	-	-
Public safety	216,538	277,471	-	-
Public works	550,147	743,757	313,396	373,996
Recreation	100,238	95,738	-	-
<b>Total Expenses</b>	<b>1,753,709</b>	<b>1,826,860</b>	<b>313,396</b>	<b>373,996</b>
Change in Net Assets	247,234	372,005	87,142	25,789
Net Assets - Beginning	5,157,095	4,793,862	1,833,628	1,807,839
Net Assets - Ending	<b>\$ 5,404,329</b>	<b>\$ 5,165,867</b>	<b>\$ 1,920,770</b>	<b>\$ 1,833,628</b>

**Results of Operations (Continued)**

The following two charts highlight the Township's governmental activities by revenues and expenses.



The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 3.6 mills. The Township charter allows the Township to levy up to 4.9 mills for operations.

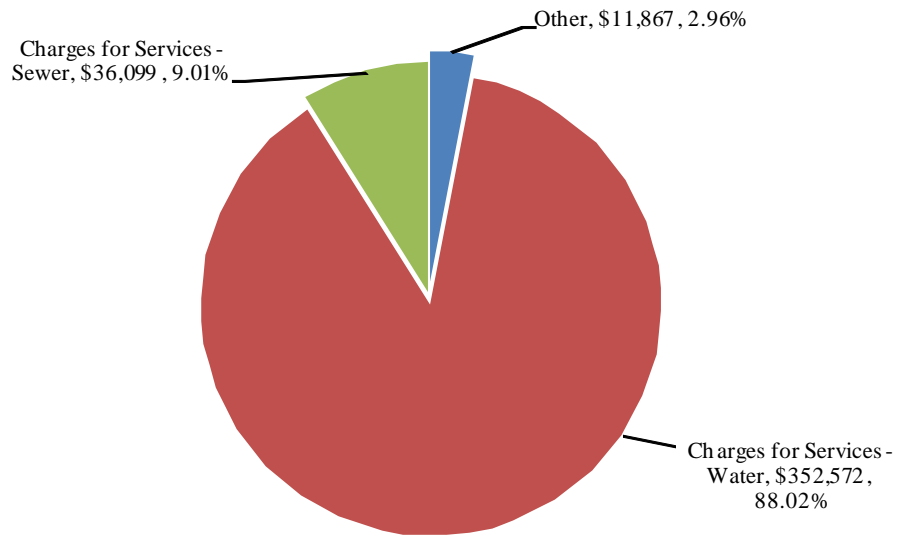


**Results of Operations (Continued)**

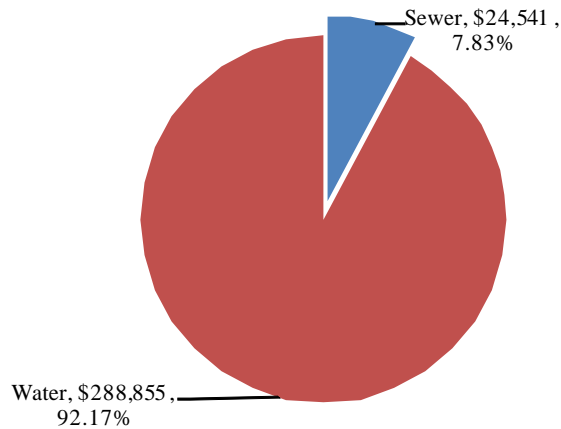
The general area expenses represent Township activities. The Refuse Collection and Cemetery Funds expenditures are included in the public works area.

The following two charts highlight the Township's business-type activities by revenues and expenses.

**Business-Type Activities - Revenues**



**Business-Type Activities - Expenditures**



## **Financial Analysis**

Governmental Funds: The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined unrestricted fund balances of \$2,680,754.

The General Fund is the main operating fund of the Township. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$2,122,014. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 161% of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$240,316 during the fiscal year. Key elements of this were a decrease in transfers out.

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

Net assets at the end of the year amounted to \$1,920,770.

## **Budgetary Highlights**

During the year ended December 31, 2010, the Township amended the budget at various times throughout the year. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted levels of effort required for various maintenance activities in the different funds.

## **Capital Assets and Debt Administration**

The Township's investment in capital assets for the governmental and business-type activities as of December 31, 2010, amounts to \$4,192,951. This investment in capital assets including land, buildings, improvements, and equipment. Additions to the general capital assets included construction in progress for a fire hall addition in the amount of \$204,046 paid with Township funding. The sewer fund had capital additions that totaled \$1,713 for engineering costs related to new water and sewer main.

Additional information on the Township's capital assets can be found starting on page 30 of this report.

Long-term debt: At the end of the current fiscal year, the Township had total debt of \$210,797. This total amount is backed by the full faith and credit of the Township. The Township's total debt decreased by \$35,771 during the fiscal year.

Additional information on the Township's long-term debt can be found starting page 32 of this report.

## **Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Superintendent at the Breitung Township Hall, 3851 Menominee Street, Quinnesec, Michigan 49876, phone (906) 779-2055 and e-mail address [pfranzoi@breitungwp.org](mailto:pfranzoi@breitungwp.org).

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF NET ASSETS**

**December 31, 2010**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 2,378,060	\$ 448,284	\$ 2,826,344
Receivables	-	49,659	49,659
Prepaid expenses	19,722	-	19,722
Internal balances	507,000	(507,000)	-
Due from fiduciary funds	251,874	-	251,874
Due from other governmental units	132,532	-	132,532
<b>TOTAL CURRENT ASSETS</b>	<b>3,289,188</b>	<b>(9,057)</b>	<b>3,280,131</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash	178,959	307,769	486,728
Capital assets	4,299,347	2,589,351	6,888,698
Less: accumulated depreciation	(1,952,751)	(742,996)	(2,695,747)
	2,346,596	1,846,355	4,192,951
<b>TOTAL NONCURRENT ASSETS</b>	<b>2,525,555</b>	<b>2,154,124</b>	<b>4,679,679</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,814,743</b>	<b>\$ 2,145,067</b>	<b>\$ 7,959,810</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 78,374	\$ 11,283	\$ 89,657
Due to other governmental units	6,758	-	6,758
Accrued expenses	8,160	2,217	10,377
Accrued employee benefits payable	39,700	-	39,700
Deferred revenue	277,422	-	277,422
Current maturities on note/bond payable	-	36,916	36,916
<b>TOTAL CURRENT LIABILITIES</b>	<b>410,414</b>	<b>50,416</b>	<b>460,830</b>
<b>NONCURRENT LIABILITIES:</b>			
Bonds payable, less current maturities	-	173,881	173,881
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>173,881</b>	<b>173,881</b>
<b>TOTAL LIABILITIES</b>	<b>410,414</b>	<b>224,297</b>	<b>634,711</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	2,346,596	1,635,558	3,982,154
Restricted	178,959	307,769	486,728
Unrestricted	2,878,774	(22,557)	2,856,217
<b>TOTAL NET ASSETS</b>	<b>5,404,329</b>	<b>1,920,770</b>	<b>7,325,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,814,743</b>	<b>\$ 2,145,067</b>	<b>\$ 7,959,810</b>

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<b><u>FUNCTIONS/PROGRAMS</u></b>						
Primary government:						
Government activities:						
General government	\$ 886,786	\$ 14,531	\$ -	\$(872,255)	\$ -	\$(872,255)
Public safety	216,538	-	-	(216,538)	-	(216,538)
Public works	550,147	341,786	-	(208,361)	-	(208,361)
Recreation	100,238	-	-	(100,238)	-	(100,238)
Total governmental activities	<u>1,753,709</u>	<u>356,317</u>	<u>-</u>	<u>\$(1,397,392)</u>	<u>-</u>	<u>\$(1,397,392)</u>
Business-type activities:						
Water	288,855	352,572	-	-	63,717	63,717
Sewer	24,541	36,099	-	-	(11,558)	(11,558)
Total business-type activities	<u>313,396</u>	<u>388,671</u>	<u>-</u>	<u>-</u>	<u>75,275</u>	<u>75,275</u>
Total primary government	<u>\$ 2,067,105</u>	<u>\$ 744,988</u>	<u>\$ -</u>	<u>\$(1,397,392)</u>	<u>75,275</u>	<u>\$(1,322,117)</u>
General Revenues:						
Taxes				1,232,822	-	1,232,822
State shared revenue				394,477	-	394,477
Interest earnings				22,688	4,867	27,555
Sale of assets				71	-	71
Transfers				(7,000)	7,000	-
Other				1,568	-	1,568
Total general revenues, transfers & other				<u>1,644,626</u>	<u>11,867</u>	<u>1,656,493</u>
Change in Net Assets				247,234	87,142	334,376
Net Assets- Beginning				5,157,095	1,833,628	6,990,723
Net Assets- Ending				<u>\$ 5,404,329</u>	<u>\$ 1,920,770</u>	<u>\$ 7,325,099</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**December 31, 2010**

	<u>Major Governmental Funds</u>			Other	Total
	General Fund	Refuse Collection	Improvement Revolving	Nonmajor Governmental Funds	
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,528,345	\$ 182,079	\$ 349,996	\$ 77,748	\$ 2,138,168
Prepaid expenses	19,722	-	-	-	19,722
Due from other funds	507,000	-	-	-	507,000
Due from fiduciary funds	251,874	-	-	-	251,874
Due from governmental units	132,532	-	-	-	132,532
<b>TOTAL ASSETS</b>	<u>2,439,473</u>	<u>182,079</u>	<u>349,996</u>	<u>77,748</u>	<u>3,049,296</u>
<b>NONCURRENT ASSETS</b>					
Restricted cash	22,537	-	-	156,422	178,959
<b>TOTAL ASSETS</b>	<u>\$ 2,462,010</u>	<u>\$ 182,079</u>	<u>\$ 349,996</u>	<u>\$ 234,170</u>	<u>\$ 3,049,296</u>
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 51,144	\$ 24,893	-	\$ 165	\$ 76,202
Accrued expenses	7,683	-	-	477	8,160
Due to other governmental units	6,758	-	-	-	6,758
Deferred revenue	251,874	25,548	-	-	277,422
<b>TOTAL CURRENT LIABILITIES</b>	<u>317,459</u>	<u>50,441</u>	<u>-</u>	<u>642</u>	<u>368,542</u>
<b>FUND BALANCES:</b>					
Restricted	22,537	-	-	156,422	178,959
Unrestricted	2,122,014	131,638	349,996	77,106	2,680,754
	<u>2,144,551</u>	<u>131,638</u>	<u>349,996</u>	<u>233,528</u>	<u>2,859,713</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,462,010</u>	<u>\$ 182,079</u>	<u>\$ 349,996</u>	<u>\$ 234,170</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,022,439
Internal service funds are used to charge costs of equipment, operation and benefits to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	561,877
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(39,700)</u>
Net assets of governmental activities	<u>\$ 5,404,329</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2010**

	<u>Major Governmental Funds</u>			Other	Total
	General	Refuse	Improvement	Nonmajor	
	Fund	Collection	Revolving	Governmental	Governmental
				Funds	Funds
Revenues:					
Taxes	\$ 1,232,822	\$ -	\$ -	\$ -	\$ 1,232,822
State revenue	394,477	-	-	-	394,477
Charges for services	14,531	196,542	-	40,044	251,117
Interest	13,639	819	4,522	2,020	21,000
Other revenue	1,568	-	-	-	1,568
Total revenues	<u>1,657,037</u>	<u>197,361</u>	<u>4,522</u>	<u>42,064</u>	<u>1,900,984</u>
Expenditures:					
General government	866,620	-	-	-	866,620
Public safety	182,817	-	-	-	182,817
Public works	172,243	299,675	-	86,206	558,124
Recreation and culture	93,012	-	-	-	93,012
Total expenditures	<u>1,314,692</u>	<u>299,675</u>	<u>-</u>	<u>86,206</u>	<u>1,700,573</u>
Excess (deficiency) of revenue over expenditures	342,345	(102,314)	4,522	(44,142)	200,411
Other Financing Sources:					
Sale of fixed assets	71	-	-	-	71
Operating transfers in	107,400	150,000	-	53,870	311,270
Operating transfers out	(209,500)	-	(107,400)	(1,370)	(318,270)
Total other financing sources	<u>(102,029)</u>	<u>150,000</u>	<u>(107,400)</u>	<u>52,500</u>	<u>(6,929)</u>
Net change in fund balance	<u>240,316</u>	<u>47,686</u>	<u>(102,878)</u>	<u>8,358</u>	<u>193,482</u>
Fund Balances - Beginning of Year	<u>1,904,235</u>	<u>83,952</u>	<u>452,874</u>	<u>225,170</u>	
Fund Balances - End of Year	<u>\$ 2,144,551</u>	<u>\$ 131,638</u>	<u>\$ 349,996</u>	<u>\$ 233,528</u>	

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

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents capital outlay, depreciation, and loss on sale of assets 101,660

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred. (5,627)

Internal service funds are used to charge costs of equipment, operations and benefits to individual funds. (42,281)

The net revenue (expense) is report with governmental activities. (42,281)

Change in net assets of governmental activities \$ 247,234

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
**December 31, 2010**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major Funds			Internal
	Sewer System	Water System	Total	Service Fund
<b>ASSET AND OTHER DEBITS:</b>				
Current Assets:				
Cash	\$ 58,311	\$ 389,973	\$ 448,284	\$ 239,892
Receivables	5,151	44,508	49,659	-
Due from other funds	17,490	-	17,490	-
Total current assets	<u>80,952</u>	<u>434,481</u>	<u>515,433</u>	<u>239,892</u>
Restricted cash	-	307,769	307,769	-
Capital assets	424,273	2,165,078	2,589,351	1,452,296
Accumulated depreciation	<u>(38,271)</u>	<u>(704,725)</u>	<u>(742,996)</u>	<u>(1,128,139)</u>
Total capital assets	<u>386,002</u>	<u>1,460,353</u>	<u>1,846,355</u>	<u>324,157</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$ 466,954</u>	<u>\$ 2,202,603</u>	<u>\$ 2,669,557</u>	<u>\$ 564,049</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 956	\$ 10,327	\$ 11,283	\$ 2,172
Due to other funds	454,131	70,359	524,490	-
Current maturities on bond payable	-	36,916	36,916	-
Accrued expenses	-	2,217	2,217	-
Total current liabilities	<u>455,087</u>	<u>119,819</u>	<u>574,906</u>	<u>2,172</u>
Long-term liabilities:				
Bonds payable net of current maturities	-	173,881	173,881	-
<b>TOTAL LIABILITIES</b>	<u>455,087</u>	<u>293,700</u>	<u>748,787</u>	<u>2,172</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	386,002	1,671,150	2,057,152	324,157
Restricted	-	307,769	307,769	-
Unrestricted	<u>(374,135)</u>	<u>(70,016)</u>	<u>(444,151)</u>	<u>237,720</u>
<b>TOTAL NET ASSETS</b>	<u>11,867</u>	<u>1,908,903</u>	<u>1,920,770</u>	<u>561,877</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 466,954</u>	<u>\$ 2,202,603</u>	<u>\$ 2,669,557</u>	<u>\$ 564,049</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2010**

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major Funds			Internal
	Sewer System	Water System	Total	Service Funds
OPERATING REVENUE				
Charges for services	\$ 28,832	\$ 301,691	\$ 330,523	\$ 105,200
Parts, meters, hook-up fees	-	2,722	2,722	-
Other	7,267	48,159	55,426	-
<b>TOTAL OPERATING REVENUE</b>	<b>36,099</b>	<b>352,572</b>	<b>388,671</b>	<b>105,200</b>
EXPENSES:				
Salaries	-	65,576	(65,576)	18,615
Fringe benefits	-	43,691	(43,691)	10,905
Supplies	4,596	5,820	10,416	11,048
Utilities	-	10,108	10,108	-
Repairs and maintenance	-	2,618	2,618	9,750
Professional services	3,972	5,458	9,430	-
Depreciation	15,973	36,896	52,869	90,243
Purchased water	-	88,976	88,976	-
Rent	-	16,000	16,000	782
Memberships and dues	-	2,549	2,549	-
Travel	-	70	70	1,975
Printing and publishing	-	1,626	1,626	-
Capital outlay	-	-	-	5,247
Miscellaneous	-	2,238	2,238	604
<b>TOTAL EXPENSES</b>	<b>(24,541)</b>	<b>281,626</b>	<b>(306,167)</b>	<b>149,169</b>
OPERATING INCOME (LOSS)	11,558	70,946	82,504	(43,969)
NON-OPERATING REVENUES (EXPENSES):				
Transfer from other funds	7,000	-	7,000	-
Interest income	170	4,697	4,867	1,688
Interest expense	-	(7,229)	(7,229)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>7,170</b>	<b>(2,532)</b>	<b>4,638</b>	<b>1,688</b>
NET INCOME (LOSS)	18,728	68,414	87,142	(42,281)
NET ASSETS, BEGINNING OF YEAR	(6,861)	1,840,489	1,833,628	604,158
NET ASSETS, END OF YEAR	\$ 11,867	\$ 1,908,903	\$ 1,920,770	\$ 561,877

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2010**

	Business Type Activities			Total
	Enterprise Funds		Governmental Activities	
	Sewer Fund	Water Fund	Internal Service Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 36,513	\$ 306,404	\$ -	\$ 342,917
Payments to suppliers	(21,148)	(110,318)	(29,041)	(160,507)
Internal activity -- receipts (payments) to other funds	-	(16,000)	105,200	89,200
Payments to employees	-	(110,453)	(29,520)	(139,973)
Other receipts (payments)	-	48,159	-	48,159
Net cash provided by operating activities	<u>15,365</u>	<u>117,792</u>	<u>46,639</u>	<u>179,796</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating subsidies and transfers from other funds	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(1,713)	-	-	(1,713)
Sale of capital assets	-	-	-	-
Principal paid on capital debt	-	(35,771)	-	(35,771)
Interest paid on capital debt	-	(7,229)	-	(7,229)
Net cash (used) by capital & related financing activities	<u>(1,713)</u>	<u>(43,000)</u>	<u>-</u>	<u>(44,713)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	<u>170</u>	<u>4,697</u>	<u>1,688</u>	<u>6,555</u>
Net cash provided by investing activities	<u>170</u>	<u>4,697</u>	<u>1,688</u>	<u>6,555</u>
Net (decrease) in cash and cash equivalents	20,822	79,489	48,327	148,638
Balances -- beginning of the year	<u>37,489</u>	<u>618,253</u>	<u>191,565</u>	<u>847,307</u>
Balances -- end of the year	<u>\$ 58,311</u>	<u>\$ 697,742</u>	<u>\$ 239,892</u>	<u>\$ 995,945</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 11,558	\$ 70,946	\$ (43,969)	\$ 38,535
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	15,973	36,896	90,243	143,112
Change in assets and liabilities:				
Prepaid Expense	-	-	-	-
Receivables, net	414	1,991	-	2,405
Accounts and other payables	(12,580)	9,145	365	(3,070)
Accrued expenses	-	(1,186)	-	(1,186)
Net cash provided by operating activities	<u>\$ 15,365</u>	<u>\$ 117,792</u>	<u>\$ 46,639</u>	<u>\$ 179,796</u>

The accompanying notes to financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**AGENCY FUNDS**

**December 31, 2010**

	Tax Collection Fund	Payroll Fund	Total
<b>ASSETS:</b>			
<b>RESTRICTED ASSETS:</b>			
Cash and cash equivalents	\$ 251,874	\$ -	251,874
Prepaid	-	34	34
<b>TOTAL ASSETS</b>	<b>\$ 251,874</b>	<b>\$ 34</b>	<b>\$ 251,908</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ -	\$ 34	34
Due to governmental funds	251,874	-	251,874
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 251,874</b>	<b>\$ 34</b>	<b>\$ 251,908</b>

The accompanying notes to the financial statements are an integral part of this statement.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Charter Township of Breitung (the Township), Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

The Charter Township of Breitung was organized in 1877 and voted to become a Charter Township in 1978. The Township operates under an elected seven-member Board, which includes a supervisor, clerk, treasurer, and four trustees.

For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB 39, the Township's basic financial statements include the accounts of all Township operations for which the Township exercises oversight responsibility. The Township provides services in the following functional areas: fire protection, sanitation, public works, water utility needs, and township enrichment. During 2010 the Township closed the liquor law enforcement fund.

Based on the foregoing criteria, the following organizations are not included in the financial report of the Charter Township of Breitung:

Central Landfill Authority - The Authority operates autonomously under intergovernmental service agreements.

Breitung Townships Schools - The District operates autonomously as a separate governmental entity.

The accounting policies of the Charter Township of Breitung conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as tax collection fund.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Internal activity is limited to interfund transfers which are eliminated to avoid “doubling up” revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - The accounts of the Township are organized on the basis of funds, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary funds of the Township are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Township reports the following major governmental funds:

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

Refuse Collection Fund - Refuse collection activities major revenue source is a special assessment from the Township and Dickinson Township residents.

Improvement Revolving Fund - The Improvement Revolving Fund accounts for the Department of Public Works debt activities.

Additionally, the Township reports the following non-major governmental funds:

Cemetery Fund - The Cemetery Fund accounts for all operations of cemetery activities.

Liquor Law Fund - This fund accounts for all activity in connection with liquor law enforcement as required by the State of Michigan and is funded by the same.

Permanent Fund Type - The Cemetery Perpetual Care Fund is the Township’s only permanent fund. The principal portion of the fund must stay intact, but the interest earnings are used to provide care for the cemetery.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the 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; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports the Sewer and Water Funds as major enterprise funds in accordance with the above criteria.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Township or to other governments, on a cost reimbursement basis. In the government-wide financial statements, the Motor Pool and Employee Benefits Funds are the Township's internal service funds and are included with the governmental activities and accounts for equipment usage and employee benefit activity for various Township departments.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

Agency Fund - The Tax Collection Fund is the Township's only agency fund and is used to account for assets held by the Township in a trustee capacity or as an agent for individuals or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensation absences, which are reported when due.

*Other Accounting Policies*

Cash and Cash Equivalents - The Township’s cash and cash equivalents as reported in the statement of cash flows and the statement of net assets are considered to be cash on hand, demand deposits and short term investments with maturities of three months or less.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the enterprise funds, the “Bond Requirements” accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectible accounts.

Property Taxes - Property taxes are accrued in the year they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

For the year ended December 31, 2010, the Township levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
Township Operating	3.6

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows:

Land improvements	10-15 years
Infrastructure	10-75 years
Buildings and additions	40-50 Years
Vehicles and equipment	5-15 Years
Furniture & other equipment	5-15 Years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Restricted Assets - Restricted assets include cash and equivalents, which have been reserved for the principal portion of the cemetery perpetual care fund non-expendable cash.

Long-Term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures as it is in the government-wide statements.

Compensated Absences - The Township's policies regarding vacation and sick time permits employees to accumulate earned unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Revenues - In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The Township has reported deferred revenue of \$251,874 in the general fund for property taxes levied and \$25,548 for refuse collection assessment in December 2010 for use in 2011. These amounts have been deemed measurable, but not currently available.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equity Classification

*Government-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide statements.

Revenues

*Government-Wide Statements*

In the government-wide statement of activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues, includes all revenues which do not meet the criteria of program revenues and included revenues such as property taxes, State revenue sharing payments and interest earnings.

*Fund Statements*

In the governmental fund statements revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township’s policy to use restricted resources first.

Expenses/Expenditures

*Government-Wide Statements*

In the government-wide statement of activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Statements*

The governmental fund financial statements are classified by character; current, debt service, and capital outlay.

In the proprietary fund financial statements expenses are classified by operating and nonoperating and sub-classified by function such as salaries, supplies and contracted services.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Other Financing Sources (Uses)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the statement of net assets, except for the residual amounts due between governmental and business-type activities.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

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

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is legally enacted through passage of an ordinance.
- c. The Township Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Township Board in December. Individual amendments were not material in relation to the original appropriations which were amended.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General and Special Revenue Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**NOTE C - CASH AND CASH EQUIVALENTS**

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Fiduciary Funds
Cash	\$ 2,378,060	\$ 448,284	\$ 2,826,344	\$ -
Restricted Cash	178,959	307,769	486,728	251,874
Total Cash	<u>\$ 2,557,019</u>	<u>\$ 756,053</u>	<u>\$ 3,313,072</u>	<u>\$ 251,874</u>

Michigan statutes authorized the Township to invest in bonds, other direct obligations and repurchase agreements of the United State, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United State banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE C - CASH AND CASH EQUIVALENTS (Continued)**

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The Township’s investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits – 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. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of December 31, 2010, \$1,814,534 of the Township’s bank balance of \$3,628,137 was exposed to custodial credit risk because it was uninsured and uncollateralized.

All deposits for the Township are in accordance with statutory authority.

*Restricted Cash*

A summary of the Township’s restricted cash at December 31, 2010 is as follows:

Governmental Fund - General Fund	
For building & grounds maintenance	\$ 22,537
Enterprise Funds - Water Funds	
East Kingsford improvements	141,191
Quinnesec improvements	166,578
Permanent Trust Fund - Cemetery Perpetual Care	<u>156,422</u>
Total	<u>\$ 486,728</u>

**NOTE D - TRANSFERS AND INTERFUND BALANCES**

For the year then ended, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$ 209,500	General Fund	107,400
Improvement Fund	107,400	Refuse Collection	150,000
		Cemetery Fund	53,870
Perpetual Care	1,370	Sewer Fund	7,000
TOTALS	<u>\$ 318,270</u>	TOTALS	<u>\$ 318,270</u>

The transfer from the General Fund to the Improvement Fund is unrestricted resources for improvement projects, in accordance with budgetary authorizations.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE D - TRANSFERS AND INTERFUND BALANCES (Continued)**

The amounts of interfund balances at December 31, 2010 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable	Not expected to be paid back within one year
General	\$ 507,000	Sewer Fund	\$ 454,131	\$ 454,131
Sewer Fund	17,490	Water Fund	70,359	-
TOTALS	<u>\$ 524,490</u>	TOTALS	<u>\$ 524,490</u>	<u>\$ 454,131</u>

**NOTE E - RECEIVABLES**

Receivables at December 31, 2010 consisted of accounts receivables for Sewer and Water Funds totaling \$49,659.

**NOTE F - CAPITAL ASSETS**

Capital Asset activity of the Township’s governmental activities was as follows:

	Beginning	Additions	Deletions	Ending
Land	\$ 304,990	\$ -	\$ -	\$ 304,990
Land improvements	264,658	-	-	264,658
Buildings	1,514,123	-	-	1,514,123
Building improvements	310,988	-	-	310,988
Construction in progress	-	204,046	-	204,046
Equipment	214,101	-	-	214,101
Furniture	34,145	-	-	34,145
Subtotal	<u>2,643,005</u>	<u>\$ 204,046</u>	<u>\$ -</u>	<u>2,847,051</u>
Accumulated depreciation:				
Land improvements	64,814	\$ 23,707	\$ -	88,521
Buildings	473,770	36,093	-	509,863
Building improvements	47,212	8,410	-	55,622
Equipment	107,161	29,298	-	136,459
Furniture	29,269	4,878	-	34,147
Subtotal	<u>722,226</u>	<u>\$ 102,386</u>	<u>\$ -</u>	<u>824,612</u>
Net capital assets	<u>\$ 1,920,779</u>			<u>\$ 2,022,439</u>

Depreciation expense was charged to governmental activities of the Township as follows:

General	\$ 14,539
Cemetery	3,738
Public Works	43,162
Public Safety	33,721
Recreation	7,226
	<u>\$ 102,386</u>

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE F - CAPITAL ASSETS (Continued)**

The components of property, plant, and equipment in Township proprietary funds at December 31, 2010 are summarized as follows:

SEWER FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Easement		\$ 5,000	\$ -	\$ -	\$ 5,000
Infrastructure		417,560	1,713	-	419,273
	Subtotal	<u>422,560</u>	<u>\$ 1,713</u>	<u>\$ -</u>	<u>\$ 424,273</u>
Accumulated depreciation:					
Infrastructure		22,298	\$ 15,973	\$ -	38,271
Net capital assets		<u>\$ 400,262</u>			<u>\$ 386,002</u>
WATER FUNDS		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Infrastructure		\$ 2,071,689	\$ -	\$ -	\$ 2,071,689
Equipment		93,389	-	-	93,389
	Subtotal	<u>2,165,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,165,078</u>
Accumulated depreciation:					
Infrastructure		652,999	\$ 29,983	\$ -	682,982
Equipment		14,830	6,913	-	21,743
	Subtotal	<u>667,829</u>	<u>\$ 36,896</u>	<u>\$ -</u>	<u>\$ 704,725</u>
Net capital assets		<u>\$ 1,497,249</u>			<u>\$ 1,460,353</u>

The components of property, plant, and equipment in Township internal fund at December 31, 2010 are summarized as follows:

MOTOR VEHICLE FUND		<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Equipment		\$ 233,876	\$ -	\$ -	\$ 233,876
Vehicles		1,218,420	-	-	1,218,420
	Subtotal	<u>1,452,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452,296</u>
Accumulated depreciation:					
Equipment		135,778	\$ 11,140	\$ -	146,918
Vehicles		902,117	79,104	-	981,221
	Subtotal	<u>1,037,895</u>	<u>\$ 90,244</u>	<u>\$ -</u>	<u>\$ 1,128,139</u>
Net capital assets		<u>\$ 414,401</u>			<u>\$ 324,157</u>

**NOTE G - VESTED EMPLOYEE BENEFITS**

Substantially all Township employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on employment agreements. Vacations not taken within the calendar year shall be forfeited unless permission is obtained from the Township superintendent to schedule the vacation at a later date. Compensation absences at December 31, 2010 were \$39,700.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

**NOTE H - LONG-TERM DEBT**

ENTERPRISE FUND

East Kingsford Water Supply System - During the year ending December 31, 2004 the Township refinanced the East Kingsford portion of the 1996 Water Supply System Revenue Bonds. Bonds were issued on June 29, 2004 for \$421,000 with a variable interest rate ranging from 3.0% to 6.0%, with a maturity date of January 29, 2017. Semi-annual principal and interest payment of \$21,500 are due June 29 and December 29 each year. Repayment of principal and interest summarized by year is as follows:

Year Ending December 31	Principal	Interest	Total
2011	\$ 36,916	\$ 6,085	\$ 43,001
2012	38,038	4,962	43,000
2013	39,195	3,805	43,000
2014	40,387	2,613	43,000
2015	41,616	1,384	43,000
2016	14,645	218	14,863
	<u>\$ 210,797</u>	<u>\$ 19,067</u>	<u>\$ 229,864</u>

The following is a summary of the changes in the long-term debt for the year ended December 31, 2010:

	Balance 12/31/09	Increase	Decrease	Balance 12/31/10	Current Maturities
East Kingsford Water Bond	\$ 246,568	\$ -	\$ 35,771	\$ 210,797	<u>\$ 36,916</u>
Vested Employee Benefits	34,073	5,627	-	39,700	
TOTAL	<u>\$ 280,641</u>	<u>\$ 5,627</u>	<u>\$ 35,771</u>	<u>\$ 250,497</u>	

**NOTE I - PENSION PLAN**

In May 2009 the Township changed the pension plan from the John Hancock Defined Contribution Pension Plan to Municipal Employees Retirement System of Michigan (MERS).

The Township is a member of the Michigan Employee Retirement System (MERS) for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township administers a defined contribution plan with the MERS in accordance with the provisions of the MERS Defined Contribution Pension Plan for Government Employees.

Plan Description - Normal retirement age under the plan is 65, or, if later, completions of 10 years of participation in the Plan. Early retirement is permitted at any time after attainment of age 55. Eligible employees in the Plan are elected officials and all full-time employees working 40 hours per week, and must be at least the age of 18. Employer contributions are based on the number of years an employee is employed with the Township. 1-4 years of service requires an annual employer contribution of \$1,200, with an increase of \$300 for each additional 5 years of service, with a maximum of \$2,700 for 20 years and over of employment. Participants may make voluntary after-tax contributions, through payroll withholding, in amounts ranging from 1% to 10% of compensation. Benefits attributable to Employer contributions shall be 100% vested upon a Participant's death, disability, normal retirement or early retirement, or upon termination of the Plan. On termination of a Participant's service, other than because of death, disability, or normal retirement, such benefits shall vest 100% immediately. The investment of Plan assets is the responsibility of the participants.

**CHARTER TOWNSHIP OF BREITUNG**  
**NOTES TO FINANCIAL STATEMENTS – December 31, 2010**

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**NOTE I - PENSION PLAN (Continued)**

Township contribution for the year ended December 31, 2010	\$	18,000
Employee contributions		-
Active members		8
Total annual payroll for active members	\$	333,948
Employer contribution as a percentage of payroll		5.40%
Plan assets at the most recent valuation date (December 31, 2010)	\$	293,365

**NOTE J - CONTINGENT LIABILITIES**

The Township has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at December 31, 2010.

**NOTE K - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF BREITUNG**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
State sources	\$ 359,700	\$ 359,700	\$ 394,477	\$ 34,777
Taxes	1,242,736	1,242,736	1,232,822	(9,914)
Charges for services	14,900	14,900	14,531	(369)
Interest	22,700	22,700	13,639	(9,061)
Other	1,000	1,000	1,568	568
<b>TOTAL REVENUE</b>	<u>1,641,036</u>	<u>1,641,036</u>	<u>1,657,037</u>	<u>16,001</u>
<b>EXPENDITURES:</b>				
Township board	53,200	53,200	39,704	13,496
Supervisor	11,950	11,950	11,262	688
Superintendent	125,390	125,390	97,150	28,240
Clerk	84,975	93,048	87,066	5,982
External audit	11,000	11,000	16,295	(5,295)
Data processing, information technology	322,000	298,000	106,664	191,336
Board of review	2,500	2,500	1,892	608
Treasurer	101,875	101,875	76,299	25,576
Assessor	53,530	60,530	56,600	3,930
Elections	20,660	20,660	16,145	4,515
Building and grounds	459,690	459,690	357,543	102,147
Public Safety:				
Ordinance enforcement	19,800	21,800	20,240	1,560
Fire protection	161,100	161,100	162,577	(1,477)
Public works:				
Department of public works	80,325	80,325	78,349	1,976
Compost collection/disposal	13,515	15,515	14,230	1,285
Highway and transportation	106,000	106,000	79,664	26,336
Planning commission	8,100	14,100	11,976	2,124
Parks and recreation	102,840	102,840	81,036	21,804
<b>TOTAL EXPENDITURES</b>	<u>1,738,450</u>	<u>1,739,523</u>	<u>1,314,692</u>	<u>424,831</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(97,414)	(98,487)	342,345	(440,832)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of fixed assets	-	-	71	(71)
Operating transfers in	300,000	300,000	107,400	192,600
Operating transfers out	(202,500)	(210,000)	(209,500)	(500)
<b>Total other financing sources</b>	<u>97,500</u>	<u>90,000</u>	<u>(102,029)</u>	<u>192,029</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 86</u>	<u>\$ (8,487)</u>	240,316	<u>\$ (248,803)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>1,904,235</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,144,551</u>	

**CHARTER TOWNSHIP OF BREITUNG**  
**BUDGETARY COMPARISON SCHEDULE**  
**REFUSE COLLECTION FUND**  
**For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Charges for services	\$ 317,900	\$ 317,900	\$ 222,090	\$ (95,810)
Interest	100	100	819	719
TOTAL REVENUE	<u>318,000</u>	<u>318,000</u>	<u>222,909</u>	<u>(95,091)</u>
EXPENDITURES:				
Contracted services	317,500	317,500	299,675	17,825
TOTAL EXPENDITURES	<u>317,500</u>	<u>317,500</u>	<u>299,675</u>	<u>17,825</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	500	500	(76,766)	77,266
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	150,000	(150,000)
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>(150,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 500</u>	<u>\$ 500</u>	73,234	<u>\$ 77,266</u>
FUND BALANCE - BEGINNING OF YEAR			<u>83,952</u>	
FUND BALANCE - END OF YEAR			<u>\$ 157,186</u>	

**CHARTER TOWNSHIP OF BREITUNG**  
**BUDGETARY COMPARISON SCHEDULE**  
**IMPROVEMENT REVOLVING FUND**  
**For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variance Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ 5,000	\$ 5,000	\$ 4,522	\$ (478)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE	<u>5,000</u>	<u>5,000</u>	<u>4,522</u>	<u>(478)</u>
EXPENDITURES:				
Capital projects	-	-	-	-
Loan payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,000	5,000	4,522	478
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(107,400)</u>	<u>(192,600)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (295,000)</u>	<u>\$ (295,000)</u>	(102,878)	<u>\$ (192,122)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>452,874</u>	
FUND BALANCE - END OF YEAR			<u>\$ 349,996</u>	

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2010**

	<u>Special Revenue</u>	<u>Permanent Fund</u>	<u>Total</u>
	<u>Fund</u>	<u>Cemetery</u>	<u>Nonmajor</u>
	<u>Cemetery</u>	<u>Perpetual Care</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSET AND OTHER DEBITS:</b>			
Cash	\$ 77,748	\$ -	\$ 77,748
Restricted cash	-	156,422	156,422
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 77,748</b>	<b>\$ 156,422</b>	<b>\$ 234,170</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 165	\$ -	\$ 165
Accrued expenses	477	-	477
<b>TOTAL LIABILITIES</b>	<b>642</b>	<b>-</b>	<b>642</b>
<b>FUND EQUITY</b>			
Fund balance-restricted	-	156,422	156,422
Fund balance-unrestricted	77,106	-	77,106
<b>TOTAL FUND EQUITY</b>	<b>77,106</b>	<b>156,422</b>	<b>233,528</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 77,748</b>	<b>\$ 156,422</b>	<b>\$ 234,170</b>

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2010**

	Special Revenue Fund	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues:			
Charges for services	\$ 31,700	\$ 8,344	\$ 40,044
Interest	665	1,355	2,020
Total revenues	<u>32,365</u>	<u>9,699</u>	<u>42,064</u>
Expenditures:			
Public works	86,206	-	86,206
Total expenditures	<u>86,206</u>	<u>-</u>	<u>86,206</u>
Excess (deficiency) of revenue over expenditures	(53,841)	9,699	(44,142)
Other Financing Sources:			
Operating transfers in	53,870	-	53,870
Operating transfers out	-	(1,370)	(1,370)
Total other financing sources	<u>53,870</u>	<u>(1,370)</u>	<u>52,500</u>
Net change in fund balance	<u>29</u>	<u>8,329</u>	<u>8,358</u>
Fund Balances - Beginning of Year	<u>77,077</u>	<u>148,093</u>	<u>225,170</u>
Fund Balances - End of Year	<u>\$ 77,106</u>	<u>\$ 156,422</u>	<u>\$ 233,528</u>

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING BALANCE SHEET - WATER FUNDS**

**December 31, 2010**

	Water Funds			
	East		Quinnesec	Total
	East Kingsford	Kingsford Commercial		
<b>ASSET AND OTHER DEBITS:</b>				
Current Assets:				
Cash	\$ 13,832	\$ 3,793	\$ 372,348	\$ 389,973
Receivables	27,875	1,885	14,748	44,508
Total current assets	41,707	5,678	387,096	434,481
Noncurrent Assets:				
Restricted cash	141,191	-	166,578	307,769
Capital assets	1,154,616	52,575	957,887	2,165,078
Accumulated depreciation	(327,781)	(4,907)	(372,037)	(704,725)
Total general fixed assets	826,835	47,668	585,850	1,460,353
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 1,009,733</b>	<b>\$ 53,346</b>	<b>\$ 1,139,524</b>	<b>\$ 2,202,603</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	\$ 8,430	\$ 755	\$ 1,142	\$ 10,327
Due to other funds	-	52,869	17,490	70,359
Current maturities on bond payable	36,916	-	-	36,916
Accrued expenses	1,530	-	687	2,217
Total current liabilities	46,876	53,624	19,319	119,819
Long-term liabilities:				
Bonds payable net of current maturities	173,881	-	-	173,881
<b>TOTAL LIABILITIES</b>	<b>220,757</b>	<b>53,624</b>	<b>19,319</b>	<b>293,700</b>
<b>RETAINED EARNINGS</b>				
Reserved	141,191	-	166,578	307,769
Unreserved	647,785	(278)	953,627	1,601,134
<b>TOTAL RETAINED EARNINGS</b>	<b>788,976</b>	<b>(278)</b>	<b>1,120,205</b>	<b>1,908,903</b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 1,009,733</b>	<b>\$ 53,346</b>	<b>\$ 1,139,524</b>	<b>\$ 2,202,603</b>

**CHARTER TOWNSHIP OF BREITUNG**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - WATER FUNDS**

**For the Year Ended December 31, 2010**

	Water Funds			
	East		Quinnesec	Total
	East Kingsford	Kingsford Commercial		
OPERATING REVENUE				
Charges for services	\$ 180,677	\$ 15,163	\$ 105,851	\$ 301,691
Parts, meters, hook-up fees	1,300	2	1,420	2,722
Other	24,485	-	23,674	48,159
TOTAL OPERATING REVENUE	<u>206,462</u>	<u>15,165</u>	<u>130,945</u>	<u>352,572</u>
EXPENSES:				
Salaries	33,283	-	32,293	65,576
Employee benefits	22,554	-	21,137	43,691
Supplies	1,804	-	4,016	5,820
Utilities	-	545	9,563	10,108
Repairs and maintenance	1,040	-	1,578	2,618
Professional services	1,985	-	3,473	5,458
Memberships and dues	1,275	-	1,274	2,549
Transportation	35	-	35	70
Printing and publishing	745	-	881	1,626
Rent	8,000	-	8,000	16,000
Depreciation	14,867	2,103	19,926	36,896
Purchase services	76,346	12,630	-	88,976
Miscellaneous	1,119	-	1,119	2,238
TOTAL EXPENSES	<u>163,053</u>	<u>15,278</u>	<u>103,295</u>	<u>281,626</u>
OPERATING INCOME(LOSS)	43,409	(113)	27,650	70,946
NON-OPERATING REVENUES (EXPENSES):				
Interest income	1,067	1	3,629	4,697
Interest expense	(7,229)	-	-	(7,229)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(6,162)</u>	<u>1</u>	<u>3,629</u>	<u>(2,532)</u>
NET INCOME (LOSS)	37,247	(112)	31,279	68,414
RETAINED EARNINGS, BEGINNING OF YEAR	<u>751,729</u>	<u>(166)</u>	<u>1,088,926</u>	<u>1,840,489</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 788,976</u>	<u>\$ (278)</u>	<u>\$ 1,120,205</u>	<u>\$ 1,908,903</u>

**CHARTER TOWNSHIP OF BREITUNG**  
**INTERNAL SERVICE FUND**  
**BALANCE SHEET**  
**December 31, 2010**

	<u>Motor Vehicle Fund</u>
<b>ASSET AND OTHER DEBITS:</b>	
Current Assets:	
Cash	\$ 239,892
Total current assets	<u>239,892</u>
Capital assets	1,452,296
Accumulated depreciation	<u>(1,128,139)</u>
Total capital assets	<u>324,157</u>
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b><u>\$ 564,049</u></b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	\$ 2,172
<b>TOTAL LIABILITIES</b>	<b><u>2,172</u></b>
<b>RETAINED EARNINGS</b>	
Invested in capital assets, net of related debt	324,157
Unrestricted	<u>237,720</u>
<b>TOTAL RETAINED EARNINGS</b>	<b><u>561,877</u></b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b><u>\$ 564,049</u></b>

**CHARTER TOWNSHIP OF BREITUNG**  
**INTERNAL SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**For the Year Ended December 31, 2010**

	Motor Vehicle Fund
OPERATING REVENUE	
Charges for services	\$ 105,200
TOTAL OPERATING REVENUE	105,200
EXPENSES:	
Salaries	18,615
Fringe benefits	10,905
Supplies	11,048
Repairs and maintenance	9,750
Depreciation	90,243
Rent	782
Travel	1,975
Capital outlay	5,247
Miscellaneous	604
TOTAL EXPENSES	149,169
OPERATING INCOME (LOSS)	(43,969)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	1,688
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,688
NET INCOME (LOSS)	(42,281)
RETAINED EARNINGS, BEGINNING OF YEAR	604,158
RETAINED EARNINGS, END OF YEAR	\$ 561,877

## **OTHER REPORTS AND COMMUNICATIONS**



Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



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

Members of the Township Board  
Charter Township of Breitung  
Dickinson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Breitung as of and for the year then ended December 31, 2010 which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A deficiency in 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-1.

The Charter Township of Breitung's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Charter Township of Breitung's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

May 16, 2011

**Charter Township of Breitung**  
**Findings and Responses**  
**December 31, 2010**

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**2010-1 - BUDGET**

Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that townships shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Townships had actual expenditures and budgeted expenditures. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2010, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Effect: The Township is not in compliance with State Law.

Recommendation: The Township should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly.

View of Responsible Officials: Contact Person Responsible for Correction: Perry Franzoi, Township Superintendent.  
Corrective Action Planned: The budget will be closely monitored and budget amendments will be made accordingly.  
Anticipated Completion Date: December 30, 2011.

## COMMUNICATIONS WITH THOSE IN CHARGE OF GOVERNANCE

Members of the Township Board  
Charter Township of Breitung  
Dickinson County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Breitung for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2011. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of Breitung are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2010. We noted no transactions entered into by the Charter Township of Breitung during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 16, 2011.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

This information is intended solely for the use of the Charter Township of Breitung board and management and is not intended to be and should not be used by anyone other than these specified parties.

It has been a pleasure to provide audit services to the Charter Township of Breitung. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

May 16, 2011