

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2009



JOHNSON & SCHULZE PC
CERTIFIED PUBLIC ACCOUNTANTS
989-354-8707

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
FOR THE YEAR ENDED MARCH 31, 2009
CONTENTS

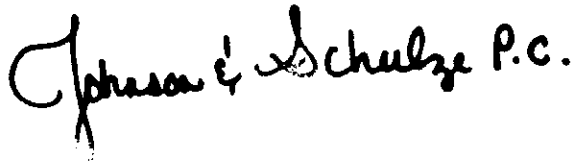
	<u>Page</u>
COMPILATION REPORT	1
TOWNSHIP OFFICIALS	2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	5
Reconciliation of Balance Sheet to Statement of Net Assets	6
Statement of Revenues, Expenditures and Changes In Fund Balances	7
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balances to Statement of Activities	8
Notes to Financial Statements	9 - 14
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund – Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	15
ADDITIONAL SUPPLEMENTARY INFORMATION	
General Fund - Expenditures by Detailed Account	16 - 17

Township Council
Krakow Township
Presque Isle County, Michigan

We have compiled the financial statements of the governmental activities of the **Township of Krakow, Presque Isle County, Michigan** (the "Township"), as of and for the year ended March 31, 2009, which comprise the Township's basic financial statements, as listed in the table of contents, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Board. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.



Johnson & Schulze PC
Alpena, Michigan
September 29, 2009

**TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
TOWNSHIP OFFICIALS
FOR THE FISCAL YEAR ENDED MARCH 31, 2009**

SUPERVISOR	KEVIN C. PRZYBYLA
CLERK	ELAINE M. MISIAK
DEPUTY CLERK	DELPHINE BISSON
TREASURER	KAREN S. ROMEL
DEPUTY TREASURER	EVELYN BUDNICK
TRUSTEES	ROGER K. WITHERBEE RICHARD BIERMACHER

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 162,731
Property Taxes Receivable	4,653
Special Assessment Receivable	5,588
Capital Assets:	
Fixed Assets	158,156
Less: Accumulated Depreciation	<u>(66,323)</u>
Total Assets	<u>\$ 264,805</u>
 LIABILITIES	
Total Liabilities	<u>\$ -</u>
 NET ASSETS	
Investment in Capital Assets Net of Related Debt	91,833
Contributed Capital	5,588
Unrestricted	<u>167,384</u>
Total Net Assets	<u>264,805</u>
Total Liabilities and Net Assets	<u>\$ 264,805</u>

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2009

FUNCTIONS/PROGRAMS	Expenses	Program Revenue	Governmental Activities
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Legislative	\$ 30,314	\$ -	\$ (30,314)
General Government	48,294	16,431	(31,863)
Public Safety	15,404	725	(14,679)
Public Works	20,802	14,075	(6,727)
Total Governmental Activities	\$ 114,814	\$ 31,231	\$ (83,583)
General Revenues:			
Property Taxes			\$ 53,549
Other Taxes			6,004
State Revenue Sharing			45,760
Interest			1,030
Miscellaneous			1,895
Total General Revenues			108,238
Change in Net Assets			24,655
Net Assets, Beginning of Year			234,562
Contributed Capital			5,588
Net Assets, End of Year			\$ 264,805

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2009

	General
<u>Assets</u>	
Cash and Cash Equivalents	\$ 162,731
Taxes Receivable	4,653
	167,384
Total Assets	\$ 167,384
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Total Liabilities	\$ -
Fund Equity:	
Fund Balances	
Unreserved:	
Undesignated	167,384
Total Fund Equity	167,384
Total Liabilities and Fund Equity	\$ 167,384

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET ASSETS
MARCH 31, 2009

Total Fund Balances - Governmental Funds	\$	167,384
The special assessment receivable not yet earned		
because of the passage of time is not reflected in the fund financial statements because it is not a current financial resource.		5,588
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 governmental funds balance sheet:		
Capital assets, at cost		158,156
Accumulated depreciation		<u>(66,323)</u>
Total Net Assets - Governmental Activities	\$	<u><u>264,805</u></u>

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 2009

Revenues:	<u>General</u>
Property Taxes	\$ 53,549
Other Taxes	6,004
Licenses and Permits	725
State Revenue Sharing	45,760
Charges for Services	
Property Tax Administration	14,882
Transfer Station	14,075
Interest	1,030
Special Assessments	1,549
Miscellaneous	<u>1,895</u>
Total Revenues	<u>139,469</u>
Expenditures:	
Legislative:	
Township Board	28,115
General Government:	
Supervisor	7,108
Elections	2,995
Assessor	14,050
Clerk	8,403
Board of Review	884
Treasurer	8,711
Building and Grounds	6,143
Public Safety	
Ordinance Officer	600
Fire Protection	11,905
Planning and Zoning	2,899
Public Works	
Highways and Streets	2,000
Street Lighting	1,559
Sanitation	<u>17,273</u>
Total Expenditures	<u>112,645</u>
 Excess (Deficiency) of Revenues over Expenditures	 26,824
 Fund Balance, April 1	 <u>140,560</u>
 Fund Balance, March 31	 <u>\$ 167,384</u>

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED MARCH 31, 2009

Net change in Fund Balances - Governmental Funds	\$	26,824
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures, while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Depreciation expense		(5,645)
Capital asset purchases capitalized		<u>3,476</u>
Change in Net Assets - Governmental Activities	\$	<u><u>24,655</u></u>

See accompanying notes and accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Krakow; Presque Isle County, Michigan (the "Township") conform to generally accepted accounting principles ("GAAP") as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

The Township of Krakow is located in Presque Isle County, Michigan. The Local Governmental Unit is governed by an elected board. The accompanying financial statements represent the government entities for which the government is considered to be financially accountable.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Krakow Township does not have any business-type activities reported in proprietary funds.

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

Typically, separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, Krakow Township does not have any proprietary funds to report.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major fund:

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all legibility requirements imposed by the provider have been met.

Among reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, in governmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

ASSETS, LIABILITY AND NET ASSETS OR EQUITY

Cash and Cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of certificates of deposit as of March 31, 2009.

Receivables and Payables

Property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued & concluded)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. The Township defines capital assets as assets with an initial individual cost of \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life.

Capital assets activity of the Township's governmental activities for the current year was as follows:

Governmental Activities:	Balance 4/1/2008	Additions	Deletions	Balance 3/31/2009
Land and Land Imp.	\$ 27,129	\$ -	\$ -	\$ 27,129
Buildings & Building Imp.	71,581	3,150	-	74,731
Equipment	55,970	326	-	56,296
Total	154,680	3,476	-	158,156
Accumulated Depreciation	(60,678)	(5,645)	-	(66,323)
Net Capital Assets	\$ 94,002	\$ (2,169)	\$ -	\$ 91,833

NOTE 2 - COMPENSATED ABSENCES (SICK AND VACATION LEAVE)

There are no compensated absences provided by the Township which would require disclosure under GASB regulations.

NOTE 3 - LONG-TERM OBLIGATIONS

The Township has no long-term obligations.

NOTE 4 - FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use of a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. As of March 31, 2009, the Township has not reserved any portion of the fund balance.

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 5 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year has not been presented in the fund financial statements.

NOTE 6 - ENCUMBRANCES

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. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

NOTE 7 - USE OF 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; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year.

Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend the budget throughout the year. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

During the year, the Township did not incur expenditures which were in excess of the amount budgeted.

Accumulated Fund Deficits

The Township did not have any accumulated fund balance deficits in any individual funds as of March 31, 2009.

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 9 - DEPOSITS AND INVESTMENTS

Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Township's deposits was \$162,731 and the bank balance was \$166,831.

Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds. As of March 31, 2009, the Township investments consisted of certificates of deposit.

The full amount of the Township's cash and investments as of March 31, 2009 was covered by Federal Depository Insurance.

NOTE 10 - RECEIVABLES

Receivables as of year end represent unpaid taxes to be received by Presque Isle County.

NOTE 11 - CONTINGENT LIABILITIES

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 has obtained commercial insurance to handle its risk of loss.

NOTE 12 - DEFERRED COMPENSATION PLAN

The Township does not have a deferred compensation plan.

NOTE 13 - PENSION PLAN

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2009 was \$1,873.

NOTE 14 - BUILDING PERMITS

The Township of Krakow does not issue building permits. Building permits are issued by Presque Isle County.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

As of March 31, 2009, the deferred revenue account that represented the future amount collectible from the special assessment, has been reclassified as contributed capital, a component of net assets.

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
March 31, 2009

NOTE 16 - TAX COLLECTION FUND

A current tax collection fund is not presented within these financial statements.

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2009

	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:			
Property taxes	\$ 53,000	\$ 53,549	\$ 549
Other taxes	6,000	6,004	4
Licenses and permits	950	725	(225)
State revenue sharing	41,500	45,760	4,260
Charges for services:			
Property tax administration	14,500	14,882	382
Transfer station	15,000	14,075	(925)
Special assessments	500	1,549	1,049
Interest	1,800	1,030	(770)
Miscellaneous	6,000	1,895	(4,105)
Total revenues	\$ 139,250	\$ 139,469	\$ 219
Expenditures:			
Legislative:			
Township Board	\$ 25,395	\$ 24,502	\$ 893
General government:			
Supervisor	7,250	7,108	142
Elections	4,650	2,995	1,655
Assessor	14,200	14,050	150
Clerk	8,500	8,403	97
Board of Review	1,100	884	216
Treasurer	9,550	8,711	839
Insurance and Bonds	-	-	-
Building and grounds	6,150	6,143	7
Public Safety:			
Ordinance officer	600	600	-
Fire protection	19,000	11,905	7,095
Planning and zoning	4,850	2,899	1,951
Public Works:			
Highways and streets	2,000	2,000	-
Street lighting	2,000	1,559	441
Sanitation	21,550	17,243	4,307
Capital Improvements	14,000	3,643	10,357
Other:			
Contingency	25,000	-	25,000
Total expenditures	\$ 165,795	\$ 112,645	\$ 53,150
Excess (deficiency) of revenues over expenditures	\$ (26,545)	\$ 26,824	\$ 53,369
Fund balance, April 1	140,560	140,560	140,560
Fund balance, March 31	\$ 114,015	\$ 167,384	\$ 193,929

See accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
ADDITIONAL SUPPLEMENTAL INFORMATION
GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2009

Township Board:	
Salaries	\$ 3,120
Pension	1,273
Employer Taxes	601
Fire Board Rep	480
Office Supplies	1,061
Postage	2,733
Legal Expenses	2,400
Audit	1,980
Dues	2,613
Web Site	455
Telephone	465
Mileage	272
Community Promotion	600
Printing and publishing	2,183
Ambulance Board Rep	64
Summer Tax Collection	600
Per Diem	185
Insurance	2,071
Capital Outlay	3,614
Miscellaneous	1,345
Total Township Board	<u>28,115</u>
Supervisor:	
Salary	6,940
Mileage	168
Deputy	-
Total Supervisor	<u>7,108</u>
Elections:	
Wages	1,907
Supplies	442
Mileage	500
Printing and publishing	29
Postage	117
Total Elections	<u>2,995</u>
Assessor:	
Salary	14,000
Miscellaneous	50
Total Assessor	<u>14,050</u>
Clerk:	
Salary	7,480
Deputy	160
Pension and FICA administration	600
Mileage	163
Total Clerk	<u>8,403</u>

(CONTINUED ON NEXT PAGE)

See accountant's report

TOWNSHIP OF KRAKOW
PRESQUE ISLE COUNTY, MICHIGAN
ADDITIONAL SUPPLEMENTAL INFORMATION
GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2009

(CONTINUED FROM PREVIOUS PAGE)

Board of Review:		\$	762
Wages			122
Printing and publishing			884
Total Board of Review			<u>884</u>
Treasurer:			7,480
Salary			160
Deputy			1,071
Mileage			8,711
Total Treasurer			<u>8,711</u>
Building and Grounds:			1,200
Salary			43
Operating Supplies			2,667
Utilities			1,742
Repairs and maintenance			491
Miscellaneous			6,143
Total Building and grounds			<u>6,143</u>
Ordinance Officer:			600
Wages			600
Total Ordinance officer			<u>600</u>
Fire Protection:			11,905
Contracted services			11,905
Total Fire protection			<u>11,905</u>
Planning and Zoning:			2,688
Salaries			159
Mileage			52
Supplies			2,899
Total Planning and zoning			<u>2,899</u>
Highways and Streets:			2,000
Contracted services			2,000
Total Highways and streets			<u>2,000</u>
Street Lighting:			-
Utilities			1,559
Repairs and maintenance			1,559
Total Street Lighting			<u>1,559</u>
Sanitation:			5,073
Wages			9,617
Contracted services			265
Utilities			376
Telephone			1,462
Insurance and bonds			480
Miscellaneous			17,273
Total Sanitation			<u>17,273</u>
Total Expenditures		\$	<u>112,645</u>

See accountant's report