

Birch Run Township

NOTES TO FINANCIAL STATEMENTS

March 31, 2011

**NOTE I: 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 manages its workers compensation risk, liability and property risk by purchasing commercial insurance through the Michigan Township Participating Plan, a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risk through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three (3) fiscal years.

**NOTE J: DOWNTOWN DEVELOPMENT AUTHORITY AGREEMENTS**

To the extent that future DDA captured tax revenues are available, the Township DDA has made agreements to be obligated to the Township Sewer Fund for repayment of the following debts:

1. \$575,000 Sanitary Sewer System Improvement Bonds issued by Saginaw County December 5, 1996. The balance due on these bonds at March 31, 2011 is \$180,000.
2. Contract Payable to Birch Run Village for 28.35% for the past and future payments due on the 1992, \$1.4 million, Sanitary Sewer System Bonds payable through Genesee County. These bonds were refunded in 2003. The balance due on these bonds at March 31, 2011 was \$31,185.
3. \$75,000 of the \$175,000 Sewer System Improvement Bonds issued by Saginaw County in May 1997. The March 31, 2011 total balance of these bonds is \$75,000.

During the year ended March 31, 2011 the Downtown Development Authority transferred \$82,563 to the Sewer Fund in connection with these agreements.

**NOTE K: STATE CONSTRUCTION CODE ACT**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2010	\$ 14,205
Current year building permit revenue	21,838
Related expenditures	
Direct costs	<u>(12,372)</u>
Cumulative surplus at March 31, 2011	<u>\$ 23,671</u>

Birch Run Township

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

March 31, 2011

ASSETS

Cash and cash equivalents \$ 206,167

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other governments \$ 6,438

FUND BALANCE

Unreserved - undesignated 199,729

TOTAL LIABILITIES AND FUND BALANCE \$ 206,167

NOTE: Reconciliation of the governmental fund balance sheet to the statement of net assets for the component unit is not required as the fund balance was equal to the net assets as of March 31, 2011.

Birch Run Township

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

Year Ended March 31, 2011

REVENUES	
Taxes	\$ 160,106
Interest	915
Other	45
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TOTAL REVENUES	161,066
EXPENDITURES	
Current	
Community and economic development	<hr/> 124,312
NET CHANGE IN FUND BALANCE	36,754
Fund balance, beginning of year	<hr/> 162,975
Fund balance, end of year	<hr/> <hr/> \$ 199,729

NOTE: Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities for the component unit is not required as the net change in fund balance was equal to the change in net assets for the year ended March 31, 2011.