

Township of Algoma
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Algoma, 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 Township of Algoma, Michigan, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township Algoma, Michigan, as of March 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Siegfried Crandall P.C.

June 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Algoma's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2018. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$305,272 (5 percent) as a result of this year's activities. Net position of the governmental activities increased by \$363,118, while the net position of the business-type activities decreased by \$57,846.
- Of the \$6,054,712 total net position reported, \$1,750,413 (29 percent) is available to be used at the Board's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$799,430, which represents 85 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer system.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as fire protection and general government. State shared revenue and property taxes finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system and inspections department are reported here.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues (like special assessments for weed control and street lighting).

The Township has three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$6,054,712. Of this total, \$4,157,229 is invested in capital assets and \$147,070 is restricted for various purposes. Consequently, unrestricted net position was \$1,750,413 or 29 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 1,971,541	\$ 1,833,850	\$ 135,347	\$ 109,998	\$ 2,106,888	\$ 1,943,848
Capital assets	3,349,999	3,129,969	807,230	793,403	4,157,229	3,923,372
Total assets	5,321,540	4,963,819	942,577	903,401	6,264,117	5,867,220
Current and other liabilities	64,516	69,913	144,889	47,867	209,405	117,780
Net position:						
Investment in capital assets	3,349,999	3,129,969	807,230	793,403	4,157,229	3,923,372
Restricted	147,070	108,393	-	-	147,070	108,393
Unrestricted (deficit)	1,759,955	1,655,544	(9,542)	62,131	1,750,413	1,717,675
Total net position	\$ 5,257,024	\$ 4,893,906	\$ 797,688	\$ 855,534	\$ 6,054,712	\$ 5,749,440

Changes in net position

The Township's total revenues for the current fiscal year were \$2,456,284. More than 34 percent of the Township's revenues comes from state shared revenue and approximately 31 percent comes from property taxes. Charges for services represent 22 percent of total revenues in the current year.

The total cost of the Township's programs for the current fiscal year was \$2,151,012. General government services represent approximately 29 percent of the Township's expenses and public safety services account for 38 percent of total expenses.

Condensed financial information
Changes in net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 124,547	\$ 113,943	\$ 419,974	\$ 345,906	\$ 544,521	\$ 459,849
Operating grants and contributions	14,528	13,395	-	-	14,528	13,395
Capital grants and contributions	175,496	124,272	3,800	3,800	179,296	128,072
General revenues:						
State shared revenue	843,502	814,959	-	-	843,502	814,959
Property taxes	772,964	731,087	-	-	772,964	731,087
Franchise fees	90,243	89,305	-	-	90,243	89,305
Interest income	10,663	6,200	567	528	11,230	6,728
Total revenues	2,031,943	1,893,161	424,341	350,234	2,456,284	2,243,395
Expenses:						
General government	621,351	675,754	-	-	621,351	675,754
Public safety	551,491	503,351	273,874	212,761	825,365	716,112
Public works	184,251	313,979	-	-	184,251	313,979
Recreation and culture	210,386	203,236	-	-	210,386	203,236
Community and economic development	101,346	87,236	-	-	101,346	87,236
Sewer	-	-	208,313	163,029	208,313	163,029
Total expenses	1,668,825	1,783,556	482,187	375,790	2,151,012	2,159,346
Changes in net position	\$ 363,118	\$ 109,605	\$ (57,846)	\$ (25,556)	\$ 305,272	\$ 84,049
Net position, end of year	\$ 5,257,024	\$ 4,893,906	\$ 797,688	\$ 855,534	\$ 6,054,712	\$ 5,749,440

Governmental activities

Governmental activities increased the Township's net position by \$363,118 in the current year compared to a \$109,605 increase in the prior year. Total revenues increased by \$138,782 and expenses decreased by \$114,731, causing the increase in net position to be higher in the current year. Revenues increased due to a \$51,224 increase in capital grants, related to election and fire equipment grants, a \$41,877 increase in property taxes, related to increased taxable value, and a \$28,543 increase in state shared revenue. Total expenses decreased, primarily due to a \$129,728 decrease in public works expenses, as road improvement costs were higher in the prior year.

The following schedule shows the costs of the Township's programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Township's taxpayers by each of these functions.

	<i>Total cost of services</i>	<i>Net cost of services</i>
General government	\$ 621,351	\$ 540,712
Public safety	551,491	403,085
Recreation and culture	210,386	186,221
Other	<u>285,597</u>	<u>224,236</u>
Totals	<u>\$ 1,668,825</u>	<u>\$ 1,354,254</u>

The total cost of governmental activities was \$1,668,825. However, the amount that taxpayers paid for these activities through general revenues was \$1,354,254. Some of the cost was paid by:

- Those who directly benefited from the programs or services (\$124,547), or
- Operating and capital grants and contributions for programs (\$190,024).

The Township paid for the \$1,354,254 "public benefit" portion with \$1,717,372 in general revenues, including property taxes and state shared revenue.

Business-type activities

Business-type activities decreased the Township's net position by \$57,846 in the current year compared to a \$25,556 decrease in the prior year. Net position decreased by a larger amount in the current year because revenues went up by \$74,107, while expenses increased by \$106,397. Revenues went up as a result of an increase in charges for services, due to an increase in activity and rates. Expenses increased due to higher contracted services costs.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2018, the Township's governmental funds reported combined ending fund balances of \$1,921,346, which represents an increase of \$145,432 compared to last year's balances.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, fund balance was \$1,168,154, which represents a \$54,744 decrease during the current fiscal year. Fund balance declined as the fund transferred \$493,000 to other funds during the current year.

The fund balance of the Fire Fund, a special revenue fund, is \$281,273 at year end, which represents a \$128,323 increase during the current year. Fund balance increased primarily due to a net \$61,610 transfer in.

The Fire Capital Fund, a capital projects fund, accounts for the acquisition of capital assets for the Township's fire department. The fund's ending fund balance was \$157,264, a decrease of \$43,342, as capital acquisitions of \$240,914, and public safety expenditures of \$390,017, exceeded net transfers in of \$38,390 and revenues of \$549,199.

The Capital Projects Fund, a capital projects fund, accounts for the acquisition of capital assets for the Township. The fund's ending fund balance was \$243,426, as a \$393,000 transfer from the General Fund, and revenues of \$9,389, exceeded capital outlay expenditures of \$297,684 in the current year.

Proprietary funds

As of March 31, 2018, the Township's proprietary funds reported combined total net position of \$797,688, of which the unrestricted net position was a \$9,542 deficit.

The Sewer Fund experienced a decrease in net position of \$69,558. A decrease in net position is expected, as sewer charges are not set to cover the full cost of operations, including depreciation, which amounted to \$43,255 in the current year. Unrestricted net position was a deficit of \$42,237 at year end.

The Inspections Fund experienced an increase in net position of \$11,712, as inspection fees of \$285,542 were sufficient to cover inspection costs of \$273,874. Unrestricted net position amounted to \$32,695 at year end.

General Fund budgetary highlights

The Township amended the General Fund budget during the year to reflect changes which occurred during the year. Budgeted revenues were unchanged. Expenditures were unchanged, in total; however, budgeted expenditures were reallocated among the functions. General government expenditures were lowered by \$30,364, by reducing general administration costs, and public safety expenditures were increased by \$23,471, due to new ordinance enforcement activities.

Total actual revenues were \$80,476 more than budgeted, primarily because state shared revenue was \$47,332 more than expected.

Total expenditures were \$175,109 less than the amounts appropriated, as every activity was under budget. The most significant variance related to the general government function, where expenditures were \$118,561 less than anticipated, as general administration and other costs were \$59,403 lower than anticipated.

These conditions resulted in a \$323,085 positive budget variance, as the fund balance decreased by \$54,744 compared to a budgeted decrease of \$377,829.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2018, amounts to \$4,157,229 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and sewer facilities.

This year's major capital asset additions included:

- Fire equipment was purchased for \$136,943
- Park improvements were made at a cost of \$101,625
- Fire vehicles were purchased for \$83,670
- Sewer improvements were made at a cost of \$69,250
- Election equipment was received, through a State grant, in the amount of \$66,160

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

The Township reported no long-term debt at the beginning or end of its fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's 2019 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

Sewer rates are expected to increase in an effort to keep up with the increased costs associated with maintaining the infrastructure.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Kevin Green, Supervisor
Township of Algoma
10531 Algoma Ave., N.E.
Rockford, MI 49341-9136

Phone: (616) 866-1583
supervisor@algotatwp.org

BASIC FINANCIAL STATEMENTS

Township of Algoma

STATEMENT OF NET POSITION

March 31, 2018

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,102,778	\$ 46,966	\$ 1,149,744
Investments	582,668	45,394	628,062
Receivables	171,419	41,037	212,456
Interfund advance	28,333	-	28,333
Prepays	29,676	1,950	31,626
	<u>1,914,874</u>	<u>135,347</u>	<u>2,050,221</u>
Total current assets			
Noncurrent assets:			
Interfund advance	56,667	-	56,667
Capital assets not being depreciated	653,350	-	653,350
Capital assets being depreciated, net of accumulated depreciation	2,696,649	807,230	3,503,879
	<u>3,406,666</u>	<u>807,230</u>	<u>4,213,896</u>
Total noncurrent assets			
	<u>5,321,540</u>	<u>942,577</u>	<u>6,264,117</u>
Total assets			
LIABILITIES			
Current liabilities:			
Payables	50,195	59,889	110,084
Interfund advance	-	28,333	28,333
	<u>50,195</u>	<u>88,222</u>	<u>138,417</u>
Total current liabilities			
Noncurrent liabilities:			
Interfund advance	-	56,667	56,667
Compensated absences	14,321	-	14,321
	<u>14,321</u>	<u>56,667</u>	<u>70,988</u>
Total noncurrent liabilities			
NET POSITION			
Investment in capital assets	3,349,999	807,230	4,157,229
Restricted for:			
Public safety	75,841	-	75,841
Public works	71,229	-	71,229
Unrestricted (deficit)	1,759,955	(9,542)	1,750,413
	<u>\$ 5,257,024</u>	<u>\$ 797,688</u>	<u>\$ 6,054,712</u>
Total net position			

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended March 31, 2018

Functions/Programs	Expenses	Program revenues		Net (expenses) revenues and changes in net position			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals
Governmental activities:							
General government	\$ 621,351	\$ 34,594	\$ 1,655	\$ 44,390	\$ (540,712)	\$ (540,712)	
Public safety	551,491	23,911	-	124,495	(403,085)	(403,085)	
Public works	184,251	45,906	12,873	-	(125,472)	(125,472)	
Community and economic development	101,346	2,582	-	-	(98,764)	(98,764)	
Recreation and culture	210,386	17,554	-	6,611	(186,221)	(186,221)	
Total governmental activities	1,668,825	124,547	14,528	175,496	(1,354,254)	(1,354,254)	
Business-type activities:							
Sewer	208,313	134,432	-	3,800	\$ (70,081)		
Inspections	273,874	285,542	-	-	11,668		
Total business-type activities	482,187	419,974	-	3,800	(58,413)	(58,413)	
Totals	\$ 2,151,012	\$ 544,521	\$ 14,528	\$ 179,296	(1,354,254)	(58,413)	(1,412,667)
General revenues:							
State shared revenue				843,502	-	843,502	
Property taxes				772,964	-	772,964	
Franchise fees				90,243	-	90,243	
Interest income				10,663	567	11,230	
Total general revenues				1,717,372	567	1,717,939	
Changes in net position				363,118	(57,846)	305,272	
Net position - beginning				4,893,906	855,534	5,749,440	
Net position - ending				\$ 5,257,024	\$ 797,688	\$ 6,054,712	

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2018

	General	Special revenue	Capital projects funds		Nonmajor fund	Total governmental funds
		Fire	Fire Capital	Capital Projects		
ASSETS						
Cash	\$ 751,229	\$ 264,292	\$ 7,087	\$ 7,280	\$ 72,890	\$ 1,102,778
Investments	196,286	-	150,177	236,205	-	582,668
Receivables	163,154	7,398	-	-	867	171,419
Interfund advance	85,000	-	-	-	-	85,000
Prepaid expenditures	8,724	20,952	-	-	-	29,676
Total assets	<u>\$ 1,204,393</u>	<u>\$ 292,642</u>	<u>\$ 157,264</u>	<u>\$ 243,485</u>	<u>\$ 73,757</u>	<u>\$ 1,971,541</u>
LIABILITIES AND FUND BALANCES						
Liabilities - payables	\$ 36,239	\$ 11,369	\$ -	\$ 59	\$ 2,528	\$ 50,195
Fund balances:						
Nonspendable - prepaids	8,724	20,952	-	-	-	29,676
Restricted for:						
Public works	-	-	-	-	71,229	71,229
Public safety	-	54,889	-	-	-	54,889
Assigned for:						
Public safety	-	205,432	-	-	-	205,432
Recreation and culture	360,000	-	-	-	-	360,000
Capital acquisitions	-	-	157,264	243,426	-	400,690
Unassigned	799,430	-	-	-	-	799,430
Total fund balances	<u>1,168,154</u>	<u>281,273</u>	<u>157,264</u>	<u>243,426</u>	<u>71,229</u>	<u>1,921,346</u>
Total liabilities and fund balances	<u>\$ 1,204,393</u>	<u>\$ 292,642</u>	<u>\$ 157,264</u>	<u>\$ 243,485</u>	<u>\$ 73,757</u>	<u>\$ 1,971,541</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,921,346

Amounts reported for *governmental activities* in the statement of net position (page 12) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,349,999

Long-term liabilities, consisting of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (14,321)

Net position of *governmental activities* \$ 5,257,024

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended March 31, 2018

	General	Special revenue	Capital projects funds		Nonmajor fund	Total governmental funds
		Fire	Fire Capital	Capital Projects		
REVENUES						
Property taxes	\$ 373,584	\$ 399,380	\$ -	\$ -	\$ -	\$ 772,964
Licenses and permits	98,613	-	-	-	-	98,613
Federal grants	-	-	479,055	-	-	479,055
State grants	858,030	-	-	-	-	858,030
Intergovernmental revenues	-	-	35,457	-	-	35,457
Charges for services	36,442	-	-	-	-	36,442
Fines and forfeitures	33	-	-	-	-	33
Interest and rentals	10,118	174	1,230	2,778	45	14,345
Other	7,235	794	33,457	6,611	45,906	94,003
Total revenues	<u>1,384,055</u>	<u>400,348</u>	<u>549,199</u>	<u>9,389</u>	<u>45,951</u>	<u>2,388,942</u>
EXPENDITURES						
Current:						
General government	595,254	-	-	-	-	595,254
Public safety	131,477	333,635	390,017	-	-	855,129
Public works	13,124	-	-	-	35,461	48,585
Community and economic development	101,346	-	-	-	-	101,346
Recreation and culture	103,731	-	-	-	-	103,731
Capital outlay	867	-	240,914	297,684	-	539,465
Total expenditures	<u>945,799</u>	<u>333,635</u>	<u>630,931</u>	<u>297,684</u>	<u>35,461</u>	<u>2,243,510</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>438,256</u>	<u>66,713</u>	<u>(81,732)</u>	<u>(288,295)</u>	<u>10,490</u>	<u>145,432</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	100,000	138,390	393,000	-	631,390
Transfers out	(493,000)	(38,390)	(100,000)	-	-	(631,390)
Net other financing sources (uses)	<u>(493,000)</u>	<u>61,610</u>	<u>38,390</u>	<u>393,000</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(54,744)	128,323	(43,342)	104,705	10,490	145,432
FUND BALANCES - BEGINNING	<u>1,222,898</u>	<u>152,950</u>	<u>200,606</u>	<u>138,721</u>	<u>60,739</u>	<u>1,775,914</u>
FUND BALANCES - ENDING	<u>\$ 1,168,154</u>	<u>\$ 281,273</u>	<u>\$ 157,264</u>	<u>\$ 243,426</u>	<u>\$ 71,229</u>	<u>\$ 1,921,346</u>
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:						
Net change in fund balance - total governmental funds						\$ 145,432
Amounts reported for <i>governmental activities</i> in the statement of activities (page 13) are different because:						
Capital assets:						
Assets acquired						445,763
Provision for depreciation						(211,344)
Assets disposed						(14,389)
Changes in other liabilities:						
Increase in compensated absences						(2,344)
Change in net position of <i>governmental activities</i>						<u>\$ 363,118</u>

See notes to financial statements

Township of Algoma

STATEMENT OF NET POSITION - proprietary funds

March 31, 2018

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 19,265	\$ 27,701	\$ 46,966
Investments	45,394	-	45,394
Receivables	10,600	30,437	41,037
Prepaid expenses	<u>-</u>	<u>1,950</u>	<u>1,950</u>
Total current assets	75,259	60,088	135,347
Noncurrent assets - capital assets, net of accumulated depreciation	<u>807,230</u>	<u>-</u>	<u>807,230</u>
Total assets	<u>882,489</u>	<u>60,088</u>	<u>942,577</u>
LIABILITIES			
Current liabilities:			
Payables	32,496	27,393	59,889
Interfund advance	<u>28,333</u>	<u>-</u>	<u>28,333</u>
Total current liabilities	60,829	27,393	88,222
Noncurrent liabilities - interfund advance	<u>56,667</u>	<u>-</u>	<u>56,667</u>
Total liabilities	<u>117,496</u>	<u>27,393</u>	<u>144,889</u>
NET POSITION			
Investment in capital assets	807,230	-	807,230
Unrestricted (deficit)	<u>(42,237)</u>	<u>32,695</u>	<u>(9,542)</u>
Total net position	<u>\$ 764,993</u>	<u>\$ 32,695</u>	<u>\$ 797,688</u>

See notes to financial statements

Township of Algoma

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - *proprietary funds*

Year ended March 31, 2018

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 134,432	\$ 285,542	\$ 419,974
OPERATING EXPENSES			
Wastewater treatment	119,457	-	119,457
Inspections	-	273,874	273,874
Administration	32,001	-	32,001
Depreciation	43,255	-	43,255
Total operating expenses	<u>194,713</u>	<u>273,874</u>	<u>468,587</u>
OPERATING INCOME (LOSS)	<u>(60,281)</u>	<u>11,668</u>	<u>(48,613)</u>
NONOPERATING REVENUE (EXPENSE)			
Interest revenue	523	44	567
Loss on asset disposition	<u>(13,600)</u>	<u>-</u>	<u>(13,600)</u>
Net nonoperating revenue (expense)	<u>(13,077)</u>	<u>44</u>	<u>(13,033)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(73,358)	11,712	(61,646)
CAPITAL CONTRIBUTIONS	<u>3,800</u>	<u>-</u>	<u>3,800</u>
CHANGES IN NET POSITION	(69,558)	11,712	(57,846)
NET POSITION - BEGINNING	<u>834,551</u>	<u>20,983</u>	<u>855,534</u>
NET POSITION - ENDING	<u>\$ 764,993</u>	<u>\$ 32,695</u>	<u>\$ 797,688</u>

See notes to financial statements

Township of Algoma

STATEMENT OF CASH FLOWS - proprietary funds

Year ended March 31, 2018

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 132,127	\$ 274,745	\$ 406,872
Payments to suppliers	(145,315)	(261,539)	(406,854)
Payments to employees	-	(3,208)	(3,208)
Net cash provided by (used in) operating activities	<u>(13,188)</u>	<u>9,998</u>	<u>(3,190)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund advance	85,000	-	85,000
Capital contributions	3,800	-	3,800
Acquisition of capital assets	<u>(70,682)</u>	<u>-</u>	<u>(70,682)</u>
Net cash provided by capital and related financing activities	<u>18,118</u>	<u>-</u>	<u>18,118</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	523	44	567
Sale of investment	<u>4,358</u>	<u>-</u>	<u>4,358</u>
Net cash provided by investing activities	<u>4,881</u>	<u>44</u>	<u>4,925</u>
NET INCREASE IN CASH	9,811	10,042	19,853
CASH - BEGINNING	<u>9,454</u>	<u>17,659</u>	<u>27,113</u>
CASH - ENDING	<u>\$ 19,265</u>	<u>\$ 27,701</u>	<u>\$ 46,966</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (60,281)	\$ 11,668	\$ (48,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	43,255	-	43,255
Changes in assets and liabilities:			
Increase in receivables	(2,305)	(10,797)	(13,102)
(Increase) decrease in prepaids	3,353	(105)	3,248
Increase in payables	<u>2,790</u>	<u>9,232</u>	<u>12,022</u>
Net cash provided by (used in) operating activities	<u>\$ (13,188)</u>	<u>\$ 9,998</u>	<u>\$ (3,190)</u>

See notes to financial statements

Township of Algoma

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Agency Fund

March 31, 2018

ASSETS

Cash	\$ 465,076
Investments	<u>59,139</u>
Total assets	<u><u>524,215</u></u>

LIABILITIES

Escrows	\$ 465,076
Deposits	<u>59,139</u>
	<u><u>\$ 524,215</u></u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Algoma, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Township (located in Kent County), as management has determined that there are no other entities for which the Township is financially accountable.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from state shared revenue and property taxes.

The Fire Fund, a special revenue fund, accounts for financial resources used to fund the costs of the Township's fire department. Revenues are primarily derived from property taxes.

The Fire Capital Fund, a capital projects fund, accounts for financial resources used to purchase capital assets for the fire department.

The Capital Project Fund, a capital projects fund, accounts for financial resources used to purchase capital assets.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection system.

The Building Inspections Fund accounts for activities of the Townships building inspections activity.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports a single fiduciary fund (Agency Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, and net position or equity:

Cash and investments - Cash consists of cash on hand, demand deposits, and highly-liquid, short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, and net position or equity (continued):*

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer systems, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

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

Buildings and improvements	10 - 50 years
Vehicles and equipment	5 - 20 years
Furniture and fixtures	5 - 10 years
Sewer facilities	20 - 50 years

Compensated absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Net position - Net position represents the difference between assets and liabilities. The Township reports three categories of net position, as follows: (1) *Investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or donors. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

Net position flow assumption - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the authority to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, and net position or equity (continued):

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. It is the Township's policy to recognize revenue from the tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. The Township did not have any reportable budget variances in the current year.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as presented in the accompanying financial statements, consist of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary activity</u>	<u>Totals</u>
Deposits	\$ 1,102,778	\$ 46,966	\$ 465,076	\$ 1,614,820
Investments	<u>582,668</u>	<u>45,394</u>	<u>59,139</u>	<u>687,201</u>
Totals	<u>\$ 1,685,446</u>	<u>\$ 92,360</u>	<u>\$ 524,215</u>	<u>\$ 2,302,021</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2018, \$1,132,165 of the Township's bank balances of \$1,759,687 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments - State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute, and f) investment pools organized under the local government investment pool act. The Township's investment policy does not address credit risk or interest rate risk for investments.

The Township's investments consist of holdings in the Kent County Investment Pool, which is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at fair market value. The fair value of the Township's position in the pool is the same as the value of its pool shares. The fund operates like a money market fund, with each share valued at \$1, and is not rated (credit risk); it is not subject to regulatory oversight and is not registered with the SEC; the Pool issues a separate report, which is available at 300 Monroe Avenue, N.W., Grand Rapids, Michigan 49503-2221.

Fair value measurement - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Kent County Pool was measured at net asset value (or its equivalent) as a practical expedient and, accordingly, has not been classified in the fair value hierarchy.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2018, all of which are fully collectible and due within one year, for the Township's individual funds, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Special assessments</u>	<u>Totals</u>
Governmental:					
General	\$ 5,948	\$ 23,177	\$ 134,029	\$ -	\$ 163,154
Fire	7,398	-	-	-	7,398
Nonmajor	-	-	-	867	867
Total governmental	<u>\$ 13,346</u>	<u>\$ 23,177</u>	<u>\$ 134,029</u>	<u>\$ 867</u>	<u>\$ 171,419</u>
Proprietary:					
Sewer	\$ -	\$ 10,600	\$ -	\$ -	\$ 10,600
Inspections	-	30,437	-	-	30,437
Total proprietary	<u>\$ -</u>	<u>\$ 41,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,037</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land and construction in progress	\$ 548,874	\$ 104,476	\$ -	\$ 653,350
Capital assets being depreciated:				
Land improvements	2,039,278	36,757	(100,963)	1,975,072
Buildings and improvements	1,683,483	-	-	1,683,483
Vehicles	728,523	83,670	(199,218)	612,975
Furniture and fixtures	203,342	74,258	(61,824)	215,776
Equipment	233,456	146,602	(85,217)	294,841
Subtotal	<u>4,888,082</u>	<u>341,287</u>	<u>(447,222)</u>	<u>4,782,147</u>
Less accumulated depreciation for:				
Land improvements	(860,336)	(98,462)	100,185	(858,613)
Buildings and improvements	(646,163)	(44,599)	-	(690,762)
Vehicles	(466,864)	(24,358)	187,845	(303,377)
Furniture and fixtures	(147,231)	(8,982)	59,585	(96,628)
Equipment	(186,393)	(34,943)	85,218	(136,118)
Subtotal	<u>(2,306,987)</u>	<u>(211,344)</u>	<u>432,833</u>	<u>(2,085,498)</u>
Total capital assets being depreciated, net	<u>2,581,095</u>	<u>129,943</u>	<u>(14,389)</u>	<u>2,696,649</u>
Governmental activities capital assets, net	<u>\$ 3,129,969</u>	<u>\$ 234,419</u>	<u>\$ (14,389)</u>	<u>\$ 3,349,999</u>

Depreciation expense was charged to governmental functions, as follows:

Governmental activities:	
General government	\$ 24,828
Public safety	85,048
Recreation and culture	<u>101,468</u>
Total governmental activities	<u>\$ 211,344</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 1,703,156	\$ 69,250	\$ (40,000)	\$ 1,732,406
Equipment	143,554	1,432	(40,569)	104,417
Subtotal	<u>1,846,710</u>	<u>70,682</u>	<u>(80,569)</u>	<u>1,836,823</u>
Less accumulated depreciation for:				
Sewer system	(990,366)	(37,551)	26,400	(1,001,517)
Equipment	(62,941)	(5,704)	40,569	(28,076)
Subtotal	<u>(1,053,307)</u>	<u>(43,255)</u>	<u>66,969</u>	<u>(1,029,593)</u>
Business-type activities capital assets, net	<u>\$ 793,403</u>	<u>\$ 27,427</u>	<u>\$ (13,600)</u>	<u>\$ 807,230</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2018, for the Township's individual funds, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Totals</i>
Governmental:			
General	\$ 36,239	\$ -	\$ 36,239
Fire	2,918	8,451	11,369
Capital projects	59	-	59
Nonmajor	2,528	-	2,528
Total governmental	<u>\$ 41,744</u>	<u>\$ 8,451</u>	<u>\$ 50,195</u>
Proprietary:			
Sewer	\$ 32,496	\$ -	\$ 32,496
Inspections	27,393	-	27,393
Total proprietary	<u>\$ 59,889</u>	<u>\$ -</u>	<u>\$ 59,889</u>

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended March 31, 2018, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>
Governmental activities - compensated absences	<u>\$ 11,977</u>	<u>\$ 22,328</u>	<u>\$ (19,984)</u>	<u>\$ 14,321</u>

NOTE 8 - PROPERTY TAXES

The 2017 taxable valuation of the Township approximated \$413,583,000, on which ad valorem taxes levied consisted of 0.7761 mills for operating purposes and 0.9652 mills for fire protection, raising approximately \$321,000 for operating purposes and \$399,000 for fire protection. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 9 - INTERFUND ADVANCE

The General Fund advanced \$85,000 to the Sewer Fund, during the year ended March 31, 2018, to finance a sewer system improvement. The advance is expected to be repaid over three years, with interest at 1.3%.

NOTE 10 - INTERFUND TRANSFERS

The interfund transfers for the year ended March 31, 2018, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Capital	\$ 138,390	General Fire	\$ 100,000 <u>38,390</u>
			138,390
Capital projects	393,000	General	393,000
Fire	<u>100,000</u>	Fire Capital	<u>100,000</u>
	<u>\$ 631,390</u>	Total	<u>\$ 631,390</u>

The transfers to the Fire Capital Fund represent funds were used to purchase capital assets for the Township's fire department. The transfer to the Capital Projects Fund represents unrestricted funds used to fund acquisitions of capital assets for the Township. The \$100,000 transfer to the Fire Fund returned a prior year transfer.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The Township and its employees contribute to the Algoma Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers two classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes all elected officials and other full-time employees hired on or after April 1, 2007. The second class of employees includes all full-time employees, other than elected officials, hired before April 1, 2007.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees and 15% of covered payroll to the second class of qualifying employees. Employees are not required to make contributions to the Plan, though they are permitted to make after-tax contributions, up to 10% of their compensation. The Township recognized pension expense of \$24,191 during the fiscal year ended March 31, 2018. Employees made no contributions during fiscal year 2018. The Township reported no accrued liability, as part of the contributions to the plan, at year end.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs immediately.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 12 - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township's financial statements.

NOTE 13 - JOINT VENTURE

The Township, along with six other municipalities, is a participant in the Cedar Springs Area Parks and Recreation Board (the Board) under the provisions of Public Act 156 of 1917. The governing body of the Board consists of members appointed by each participating unit. The Board was formed for the purpose of providing recreation services to the citizens of its member municipalities. The Township has no equity interest in the Board; therefore, financial information of the Board has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Board are supported by contributions from the member municipalities and fees from recreation programs. During the year ended March 31, 2018, the Township contributed \$6,000 to the Board.

The Township is unaware of any indication that the Board is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future. Separate financial statements are issued for the Board and may be obtained from the Cedar Springs Parks and Recreation Board.

NOTE 14 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 367,457	\$ 367,457	\$ 373,584	\$ 6,127
Licenses and permits	92,872	92,872	98,613	5,741
State grants:				
State shared revenue	796,170	796,170	843,502	47,332
Metro Act	11,000	11,000	14,528	3,528
Charges for services	27,250	27,250	36,442	9,192
Fines and forfeitures	100	100	33	(67)
Interest and rentals	6,700	6,700	10,118	3,418
Other	<u>2,030</u>	<u>2,030</u>	<u>7,235</u>	<u>5,205</u>
Total revenues	<u>1,303,579</u>	<u>1,303,579</u>	<u>1,384,055</u>	<u>80,476</u>
EXPENDITURES				
General government:				
Legislative - Township board	40,762	41,700	37,315	4,385
Supervisor	97,673	97,673	93,192	4,481
Elections	15,483	15,483	2,659	12,824
Assessor	90,783	90,891	78,496	12,395
Clerk	98,835	98,835	97,231	1,604
Board of review	1,293	1,293	926	367
Treasurer	100,189	100,459	98,534	1,925
Hall and grounds	42,245	42,245	30,120	12,125
Cemetery	26,355	26,355	17,303	9,052
General administration	125,561	108,679	92,456	16,223
Other	<u>105,000</u>	<u>90,202</u>	<u>47,022</u>	<u>43,180</u>
Total general government	<u>744,179</u>	<u>713,815</u>	<u>595,254</u>	<u>118,561</u>
Public safety:				
Police protection	110,867	110,867	108,165	2,702
Ordinance enforcement	<u>-</u>	<u>23,471</u>	<u>23,312</u>	<u>159</u>
Total public safety	<u>110,867</u>	<u>134,338</u>	<u>131,477</u>	<u>2,861</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Public works:				
Road maintenance	\$ 4,500	\$ 4,500	\$ 3,474	\$ 1,026
Engineering	16,000	16,000	9,650	6,350
Drain maintenance	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>7,500</u>
Total public works	<u>28,000</u>	<u>28,000</u>	<u>13,124</u>	<u>14,876</u>
Community and economic development - planning and zoning	<u>115,712</u>	<u>117,767</u>	<u>101,346</u>	<u>16,421</u>
Recreation and culture:				
Parks and recreation	115,650	118,960	96,928	22,032
Historical society	<u>6,500</u>	<u>6,852</u>	<u>6,803</u>	<u>49</u>
Total recreation and culture	<u>122,150</u>	<u>125,812</u>	<u>103,731</u>	<u>22,081</u>
Capital outlay	<u>-</u>	<u>1,176</u>	<u>867</u>	<u>309</u>
Total expenditures	<u>1,120,908</u>	<u>1,120,908</u>	<u>945,799</u>	<u>175,109</u>
EXCESS OF REVENUES OVER EXPENDITURES	182,671	182,671	438,256	255,585
OTHER FINANCING USES				
Transfers out	<u>(560,500)</u>	<u>(560,500)</u>	<u>(493,000)</u>	<u>67,500</u>
NET CHANGES IN FUND BALANCES	(377,829)	(377,829)	(54,744)	323,085
FUND BALANCES - BEGINNING	<u>1,222,898</u>	<u>1,222,898</u>	<u>1,222,898</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 845,069</u>	<u>\$ 845,069</u>	<u>\$ 1,168,154</u>	<u>\$ 323,085</u>

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended March 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 400,220	\$ 400,220	\$ 399,380	\$ (840)
Interest	150	150	174	24
Other	<u>1,500</u>	<u>1,500</u>	<u>794</u>	<u>(706)</u>
Total revenues	401,870	401,870	400,348	(1,522)
EXPENDITURES				
Public safety	<u>344,194</u>	<u>344,194</u>	<u>333,635</u>	<u>10,559</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>57,676</u>	<u>57,676</u>	<u>66,713</u>	<u>9,037</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	100,000	100,000
Transfers out	<u>(38,390)</u>	<u>(38,390)</u>	<u>(38,390)</u>	<u>-</u>
Net other financing sources (uses)	<u>(38,390)</u>	<u>(38,390)</u>	<u>61,610</u>	<u>100,000</u>
NET CHANGES IN FUND BALANCES				
	19,286	19,286	128,323	109,037
FUND BALANCES - BEGINNING				
	<u>152,950</u>	<u>152,950</u>	<u>152,950</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 172,236</u>	<u>\$ 172,236</u>	<u>\$ 281,273</u>	<u>\$ 109,037</u>