

Township of Algoma
Kent County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2019

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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, 2019, 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, 2019, 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.

Correction of Error

As described in Note 17 to the financial statements, the Township recorded a prior period adjustment to correct its accounting for a grant receivable of a governmental fund. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as 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 13, 2019

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, 2019. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$437,347 (7 percent) as a result of this year's activities. Net position of the governmental activities increased by \$399,240, and the net position of the business-type activities increased by \$38,107.
- Of the \$6,532,558 total net position reported, \$2,100,658 (32 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 \$929,782, which represents 87 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 2019 and 2018 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 \$6,532,558. Of this total, \$4,210,606 is invested in capital assets and \$221,294 is restricted for various purposes. Consequently, unrestricted net position was \$2,100,658 or 32 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,333,029	\$ 2,012,040	\$ 169,169	\$ 135,347	\$ 2,502,198	\$ 2,147,387
Capital assets	3,437,010	3,349,999	773,596	807,230	4,210,606	4,157,229
Total assets	5,770,039	5,362,039	942,765	942,577	6,712,804	6,304,616
Current and other liabilities	73,276	64,516	106,970	144,889	180,246	209,405
Net position:						
Investment in capital assets	3,437,010	3,349,999	773,596	807,230	4,210,606	4,157,229
Restricted	221,294	147,070	-	-	221,294	147,070
Unrestricted (deficit)	2,038,459	1,800,454	62,199	(9,542)	2,100,658	1,790,912
Total net position	\$ 5,696,763	\$ 5,297,523	\$ 835,795	\$ 797,688	\$ 6,532,558	\$ 6,095,211

Changes in net position

The Township's total revenues for the current fiscal year were \$2,536,520. Approximately 35 percent of the Township's revenues comes from state shared revenue and approximately 32 percent comes from property taxes. Charges for services represent 21 percent of total revenues in the current year.

The total cost of the Township's programs for the current fiscal year was \$2,099,173. General government services represent approximately 31 percent of the Township's expenses and public safety services account for 37 percent of total expenses.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	\$ 103,561	\$ 124,547	\$ 440,081	\$ 419,974	\$ 543,642	\$ 544,521
Operating grants and contributions	18,180	14,528	-	-	18,180	14,528
Capital grants and contributions	162,603	215,995	-	3,800	162,603	219,795
General revenues:						
State shared revenue	880,405	843,502	-	-	880,405	843,502
Property taxes	823,344	772,964	-	-	823,344	772,964
Franchise fees	90,415	90,243	-	-	90,415	90,243
Interest income	16,881	10,663	1,050	567	17,931	11,230
Total revenues	2,095,389	2,072,442	441,131	424,341	2,536,520	2,496,783
Expenses:						
General government	651,866	621,351	-	-	651,866	621,351
Public safety	566,392	551,491	216,793	273,874	783,185	825,365
Public works	169,445	184,251	-	-	169,445	184,251
Recreation and culture	222,297	210,386	-	-	222,297	210,386
Community and economic development	86,149	101,346	-	-	86,149	101,346
Sewer	-	-	186,231	208,313	186,231	208,313
Total expenses	1,696,149	1,668,825	403,024	482,187	2,099,173	2,151,012
Changes in net position	\$ 399,240	\$ 403,617	\$ 38,107	\$ (57,846)	\$ 437,347	\$ 345,771
Net position, end of year	\$ 5,696,763	\$ 5,297,523	\$ 835,795	\$ 797,688	\$ 6,532,558	\$ 6,095,211

Governmental activities

Governmental activities increased the Township's net position by \$399,240 in the current year compared to a \$403,617 increase in the prior year. Total revenues increased by \$22,947, though expenses increased by \$27,324, causing the increase in net position to be lower in the current year. Revenues increased due to a \$50,380 increase in property taxes, related to a 7% increase in taxable value, and a \$36,903 increase in state shared revenue, related to larger state distributions. These increases were offset by a \$53,392 decrease in capital grants, as grants received to fund capital projects were lower in the current year. Total expenses increased, primarily due to a \$30,515 increase in general government expenses, as election costs were \$27,835 higher during the current 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.

	<u>Total cost of services</u>	<u>Net cost of services</u>
General government	\$ 651,866	\$ 611,308
Public safety	566,392	561,848
Recreation and culture	222,297	53,284
Other	<u>255,594</u>	<u>185,365</u>
Totals	<u>\$ 1,696,149</u>	<u>\$ 1,411,805</u>

The total cost of governmental activities was \$1,696,149. However, the amount that taxpayers paid for these activities through general revenues was \$1,411,805. Some of the cost was paid by:

- Those who directly benefited from the programs or services (\$103,561), or
- Operating grants and contributions for programs (\$18,180), or
- Operating and capital grants and contributions for programs (\$162,603).

The Township paid for the \$1,411,805 "public benefit" portion with \$1,811,045 in general revenues, including property taxes and state shared revenue.

Business-type activities

Business-type activities increased the Township's net position by \$38,107 in the current year compared to a \$57,846 decrease in the prior year. Net position increased in the current year because revenues rose by \$16,790, while expenses decreased by \$79,163. Revenues increased as a result of an increase in charges for services, due to an increase in rates. Expenses decreased due to a reduction in the cost of contracted services.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of March 31, 2019, the Township's governmental funds reported combined ending fund balances of \$2,275,049, which represents an increase of \$313,204 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 \$1,297,133, which represents a \$128,979 increase during the current fiscal year. Fund balance increased as revenues of \$1,452,251 exceeded expenditures and transfers out of \$1,067,832 and \$255,440 respectively.

The fund balance of the Fire Fund, a special revenue fund, was \$305,965 at year end, which represents a \$24,692 increase during the current year. Fund balance increased as revenues of \$427,788, primarily property taxes, exceeded expenditures and transfers out of \$355,096 and \$48,000 respectively.

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 \$304,215, an increase of \$146,951, primarily due to transfers from other funds in the amount of \$148,000.

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 \$291,834, as a \$155,440 transfer from the General Fund, and revenues of \$166,725, exceeded capital outlay expenditures of \$314,256 in the current year.

Proprietary funds

As of March 31, 2019, the Township's proprietary funds reported combined total net position of \$835,795, of which the unrestricted net position was a \$62,199.

The Sewer Fund experienced an increase in net position of \$33,798. Charges for services of \$219,040 exceeded operating expenses, including depreciation of \$43,952, during the current year due to an increase in rates. Unrestricted net position was \$25,195 at year end.

The Inspections Fund experienced an increase in net position of \$4,309, as inspection fees of \$221,041 were sufficient to cover inspection costs of \$216,793. Unrestricted net position amounted to \$37,004 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 increased by \$600. Budgeted expenditures were reallocated among the functions and increased by \$1,000, in total. General government expenditures were lowered by \$19,572, by reducing general administration costs; the recreation and culture function was increased by \$13,384 and community and economic development was increased by \$7,188.

Total actual revenues were \$79,990 more than budgeted, primarily because state shared revenue was \$49,601 more than expected.

Total expenditures were \$230,074 less than the amounts appropriated, as every activity was under budget. The most significant variance related to the general government function, where expenditures were \$122,591 less than anticipated, as general administration and other costs, together, were \$74,696 lower than anticipated.

These conditions resulted in a \$310,064 positive budget variance, as the fund balance increased by \$128,979 compared to a budgeted decrease of \$181,085.

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, 2019, amounts to \$4,210,606 (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:

- Park property was purchased for \$186,828, which was partially funded by a state grant of \$127,000
- Park improvements were made at a cost of \$81,459
- Building improvements were made at a cost of \$24,757

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 2020 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, 2019

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,454,546	\$ 72,791	\$ 1,527,337
Investments	589,644	70,484	660,128
Receivables	207,276	25,627	232,903
Interfund advance	24,931	-	24,931
Prepays	14,138	267	14,405
	<u>2,290,535</u>	<u>169,169</u>	<u>2,459,704</u>
Total current assets			
Noncurrent assets:			
Interfund advance	42,494	-	42,494
Capital assets not being depreciated	820,012	-	820,012
Capital assets being depreciated, net of accumulated depreciation	2,616,998	773,596	3,390,594
	<u>3,479,504</u>	<u>773,596</u>	<u>4,253,100</u>
Total noncurrent assets			
	<u>5,770,039</u>	<u>942,765</u>	<u>6,712,804</u>
Total assets			
LIABILITIES			
Current liabilities:			
Payables	57,980	39,545	97,525
Interfund advance	-	24,931	24,931
	<u>57,980</u>	<u>64,476</u>	<u>122,456</u>
Total current liabilities			
Noncurrent liabilities:			
Interfund advance	-	42,494	42,494
Compensated absences	15,296	-	15,296
	<u>15,296</u>	<u>42,494</u>	<u>57,790</u>
Total noncurrent liabilities			
NET POSITION			
Investment in capital assets	3,437,010	773,596	4,210,606
Restricted for:			
Public safety	100,237	-	100,237
Public works	75,902	-	75,902
Capital acquisitions	45,155	-	45,155
Unrestricted	2,038,459	62,199	2,100,658
	<u>\$ 5,696,763</u>	<u>\$ 835,795</u>	<u>\$ 6,532,558</u>
Total net position			

See notes to financial statements

Township of Algoma

STATEMENT OF ACTIVITIES

Year ended March 31, 2019

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
Governmental activities:						
General government	\$ 651,866	\$ 39,407	\$ 1,151	\$ -	\$ (611,308)	\$ (611,308)
Public safety	566,392	4,544	-	-	(561,848)	(561,848)
Public works	169,445	45,910	12,874	-	(110,661)	(110,661)
Community and economic development	86,149	11,445	-	-	(74,704)	(74,704)
Recreation and culture	222,297	2,255	4,155	162,603	(53,284)	(53,284)
Total governmental activities	<u>1,696,149</u>	<u>103,561</u>	<u>18,180</u>	<u>162,603</u>	<u>(1,411,805)</u>	<u>(1,411,805)</u>
Business-type activities:						
Sewer	186,231	219,040	-	-	\$ 32,809	
Inspections	216,793	221,041	-	-	4,248	
Total business-type activities	<u>403,024</u>	<u>440,081</u>	<u>-</u>	<u>-</u>	<u>37,057</u>	<u>37,057</u>
Totals	<u>\$ 2,099,173</u>	<u>\$ 543,642</u>	<u>\$ 18,180</u>	<u>\$ 162,603</u>	<u>(1,411,805)</u>	<u>37,057</u>
General revenues:						
				880,405	-	880,405
				823,344	-	823,344
				90,415	-	90,415
				16,881	1,050	17,931
			Total general revenues	<u>1,811,045</u>	<u>1,050</u>	<u>1,812,095</u>
			Changes in net position	399,240	38,107	437,347
			Net position - beginning	<u>5,297,523</u>	<u>797,688</u>	<u>6,095,211</u>
			Net position - ending	<u>\$ 5,696,763</u>	<u>\$ 835,795</u>	<u>\$ 6,532,558</u>

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2019

	General	Special revenue	Capital projects funds		Nonmajor fund	Total governmental funds
		Fire	Fire Capital	Capital Projects		
ASSETS						
Cash	\$ 881,777	\$ 302,675	\$ 3,388	\$ 189,298	\$ 77,408	\$ 1,454,546
Investments	199,758	-	300,827	89,059	-	589,644
Receivables	166,403	9,515	-	30,202	1,156	207,276
Interfund advance	67,425	-	-	-	-	67,425
Prepaid expenditures	7,351	6,787	-	-	-	14,138
Total assets	<u>\$ 1,322,714</u>	<u>\$ 318,977</u>	<u>\$ 304,215</u>	<u>\$ 308,559</u>	<u>\$ 78,564</u>	<u>\$ 2,333,029</u>
LIABILITIES AND FUND BALANCES						
Liabilities - payables	\$ 25,581	\$ 13,012	\$ -	\$ 16,725	\$ 2,662	\$ 57,980
Fund balances:						
Nonspendable - prepaids	7,351	6,787	-	-	-	14,138
Restricted for:						
Public safety	-	93,450	-	-	-	93,450
Public works	-	-	-	-	75,902	75,902
Capital acquisitions	-	-	45,155	-	-	45,155
Assigned for:						
Public safety	-	205,728	-	-	-	205,728
Recreation and culture	360,000	-	-	-	-	360,000
Capital acquisitions	-	-	259,060	291,834	-	550,894
Unassigned	929,782	-	-	-	-	929,782
Total fund balances	<u>1,297,133</u>	<u>305,965</u>	<u>304,215</u>	<u>291,834</u>	<u>75,902</u>	<u>2,275,049</u>
Total liabilities and fund balances	<u>\$ 1,322,714</u>	<u>\$ 318,977</u>	<u>\$ 304,215</u>	<u>\$ 308,559</u>	<u>\$ 78,564</u>	<u>\$ 2,333,029</u>

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

Total fund balance - total governmental funds \$ 2,275,049

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. 3,437,010

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. (15,296)

Net position of *governmental activities* \$ 5,696,763

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

Year ended March 31, 2019

	Special revenue		Capital projects funds		Nonmajor fund	Total governmental funds
	General	Fire	Fire Capital	Capital Projects		
REVENUES						
Property taxes	\$ 399,344	\$ 424,000	\$ -	\$ -	\$ -	\$ 823,344
Licenses and permits	95,070	-	-	-	-	95,070
State grants	894,430	-	-	162,603	-	1,057,033
Charges for services	37,529	-	-	-	-	37,529
Fines and forfeitures	1,033	-	-	-	-	1,033
Interest and rentals	15,229	277	2,658	3,122	57	21,343
Other	9,616	3,511	-	1,000	45,910	60,037
Total revenues	<u>1,452,251</u>	<u>427,788</u>	<u>2,658</u>	<u>166,725</u>	<u>45,967</u>	<u>2,095,389</u>
EXPENDITURES						
Current:						
General government	617,576	-	-	-	-	617,576
Public safety	109,180	355,096	-	-	-	464,276
Public works	128,151	-	-	-	41,294	169,445
Community and economic development	86,149	-	-	-	-	86,149
Recreation and culture	126,776	-	-	-	-	126,776
Capital outlay	-	-	3,707	314,256	-	317,963
Total expenditures	<u>1,067,832</u>	<u>355,096</u>	<u>3,707</u>	<u>314,256</u>	<u>41,294</u>	<u>1,782,185</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>384,419</u>	<u>72,692</u>	<u>(1,049)</u>	<u>(147,531)</u>	<u>4,673</u>	<u>313,204</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	148,000	155,440	-	303,440
Transfers out	(255,440)	(48,000)	-	-	-	(303,440)
Net other financing sources (uses)	<u>(255,440)</u>	<u>(48,000)</u>	<u>148,000</u>	<u>155,440</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	128,979	24,692	146,951	7,909	4,673	313,204
FUND BALANCES - BEGINNING	<u>1,168,154</u>	<u>281,273</u>	<u>157,264</u>	<u>283,925</u>	<u>71,229</u>	<u>1,961,845</u>
FUND BALANCES - ENDING	<u>\$ 1,297,133</u>	<u>\$ 305,965</u>	<u>\$ 304,215</u>	<u>\$ 291,834</u>	<u>\$ 75,902</u>	<u>\$ 2,275,049</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 \$ 313,204

Amounts reported for *governmental activities* in the statement of activities (page 13) are different because:

Capital assets:

Assets acquired 317,963
Provision for depreciation (230,952)

Changes in other liabilities:

Increase in compensated absences (975)

Change in net position of *governmental activities* \$ 399,240

See notes to financial statements

Township of Algoma

STATEMENT OF NET POSITION - proprietary funds

March 31, 2019

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 37,065	\$ 35,726	\$ 72,791
Investments	70,484	-	70,484
Receivables	14,841	10,786	25,627
Prepaid expenses	-	267	267
	<hr/>	<hr/>	<hr/>
Total current assets	122,390	46,779	169,169
Noncurrent assets - capital assets, net of accumulated depreciation			
	<hr/>	<hr/>	<hr/>
Total assets	773,596	-	773,596
	<hr/>	<hr/>	<hr/>
Total assets	895,986	46,779	942,765
LIABILITIES			
Current liabilities:			
Payables	29,770	9,775	39,545
Interfund advance	24,931	-	24,931
	<hr/>	<hr/>	<hr/>
Total current liabilities	54,701	9,775	64,476
Noncurrent liabilities - interfund advance			
	<hr/>	<hr/>	<hr/>
Total liabilities	42,494	-	42,494
	<hr/>	<hr/>	<hr/>
Total liabilities	97,195	9,775	106,970
NET POSITION			
Investment in capital assets	773,596	-	773,596
Unrestricted	25,195	37,004	62,199
	<hr/>	<hr/>	<hr/>
Total net position	<u>\$ 798,791</u>	<u>\$ 37,004</u>	<u>\$ 835,795</u>

See notes to financial statements

Township of Algoma

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

Year ended March 31, 2019

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 219,040	\$ 221,041	\$ 440,081
OPERATING EXPENSES			
Wastewater treatment	124,794	-	124,794
Inspections	-	216,793	216,793
Administration	17,485	-	17,485
Depreciation	43,952	-	43,952
Total operating expenses	<u>186,231</u>	<u>216,793</u>	<u>403,024</u>
OPERATING INCOME (LOSS)	32,809	4,248	37,057
NONOPERATING REVENUE			
Interest revenue	<u>989</u>	<u>61</u>	<u>1,050</u>
CHANGES IN NET POSITION	33,798	4,309	38,107
NET POSITION - BEGINNING	<u>764,993</u>	<u>32,695</u>	<u>797,688</u>
NET POSITION - ENDING	<u>\$ 798,791</u>	<u>\$ 37,004</u>	<u>\$ 835,795</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended March 31, 2019

	<u>Sewer</u>	<u>Inspections</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 215,405	\$ 240,692	\$ 456,097
Payments to suppliers	(145,611)	(229,560)	(375,171)
Payments to employees	-	(3,168)	(3,168)
	<u>69,794</u>	<u>7,964</u>	<u>77,758</u>
Net cash provided by (used in) operating activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on interfund advance	(17,575)	-	(17,575)
Acquisition of capital assets	(10,318)	-	(10,318)
	<u>(27,893)</u>	<u>-</u>	<u>(27,893)</u>
Net cash provided by (used in) capital and related financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	989	61	1,050
Purchase of investment	(25,090)	-	(25,090)
	<u>(24,101)</u>	<u>61</u>	<u>(24,040)</u>
Net cash provided by (used in) investing activities			
NET CHANGE IN CASH	17,800	8,025	25,825
CASH - BEGINNING	<u>19,265</u>	<u>27,701</u>	<u>46,966</u>
CASH - ENDING	<u>\$ 37,065</u>	<u>\$ 35,726</u>	<u>\$ 72,791</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 32,809	\$ 4,248	\$ 37,057
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	43,952	-	43,952
Changes in assets and liabilities:			
(Increase) decrease in receivables	(3,635)	19,651	16,016
(Increase) decrease in prepaids	(606)	1,683	1,077
Increase in payables	(2,726)	(17,618)	(20,344)
	<u>69,794</u>	<u>7,964</u>	<u>77,758</u>
Net cash provided by (used in) operating activities			

See notes to financial statements

Township of Algoma

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Agency Fund

March 31, 2019

ASSETS

Cash	\$ 474,373
Investments	<u>60,167</u>
Total assets	<u>\$ 534,540</u>

LIABILITIES

Escrows	\$ 474,373
Deposits	<u>60,167</u>
Total liabilities	<u>\$ 534,540</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. Major individual governmental funds and the major 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 Projects 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 Inspections Fund accounts for activities of the Township's code inspection activities.

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. 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 one year. 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 Fund 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	\$ 1,454,546	\$ 72,791	\$ 474,373	\$ 2,001,710
Investments	<u>589,644</u>	<u>70,484</u>	<u>60,167</u>	<u>720,295</u>
Totals	<u>\$ 2,044,190</u>	<u>\$ 143,275</u>	<u>\$ 534,540</u>	<u>\$ 2,722,005</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, 2019, \$1,411,622 of the Township's bank balances of \$2,045,069 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 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, 2019, 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	\$ 7,650	\$ 21,758	\$ 136,995	\$ -	\$ 166,403
Fire	9,515	-	-	-	9,515
Capital projects	-	-	30,202	-	30,202
Nonmajor	-	-	-	1,156	1,156
Total governmental	<u>\$ 17,165</u>	<u>\$ 21,758</u>	<u>\$ 167,197</u>	<u>\$ 1,156</u>	<u>\$ 207,276</u>
Proprietary:					
Sewer	\$ -	\$ 14,841	\$ -	\$ -	\$ 14,841
Inspections	-	10,786	-	-	10,786
Total proprietary	<u>\$ -</u>	<u>\$ 25,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,627</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, 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	\$ 653,350	\$ 166,662	\$ -	\$ 820,012
Capital assets being depreciated:				
Land improvements	1,975,072	120,713	-	2,095,785
Buildings and improvements	1,683,483	24,757	-	1,708,240
Vehicles	612,975	-	-	612,975
Furniture and fixtures	215,776	5,831	-	221,607
Equipment	294,841	-	(10,296)	284,545
Subtotal	<u>4,782,147</u>	<u>151,301</u>	<u>(10,296)</u>	<u>4,923,152</u>
Less accumulated depreciation for:				
Land improvements	(858,613)	(107,856)	-	(966,469)
Buildings and improvements	(690,762)	(43,308)	-	(734,070)
Vehicles	(303,377)	(27,082)	-	(330,459)
Furniture and fixtures	(96,628)	(35,425)	-	(132,053)
Equipment	(136,118)	(17,281)	10,296	(143,103)
Subtotal	<u>(2,085,498)</u>	<u>(230,952)</u>	<u>10,296</u>	<u>(2,306,154)</u>
Total capital assets being depreciated, net	<u>2,696,649</u>	<u>(79,651)</u>	<u>-</u>	<u>2,616,998</u>
Governmental activities capital assets, net	<u>\$ 3,349,999</u>	<u>\$ 87,011</u>	<u>\$ -</u>	<u>\$ 3,437,010</u>

Depreciation expense was charged to governmental functions, as follows:

Governmental activities:	
General government	\$ 33,127
Public safety	102,304
Recreation and culture	<u>95,521</u>
Total governmental activities	<u>\$ 230,952</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	\$ 1,732,406	\$ 10,318	\$ (10,318)	\$ 1,732,406
Equipment	104,417	-	-	104,417
Subtotal	<u>1,836,823</u>	<u>10,318</u>	<u>(10,318)</u>	<u>1,836,823</u>
Less accumulated depreciation for:				
Sewer system	(1,001,517)	(37,345)	10,318	(1,028,544)
Equipment	(28,076)	(6,607)	-	(34,683)
Subtotal	<u>(1,029,593)</u>	<u>(43,952)</u>	<u>10,318</u>	<u>(1,063,227)</u>
Business-type activities capital assets, net	<u>\$ 807,230</u>	<u>\$ (33,634)</u>	<u>\$ -</u>	<u>\$ 773,596</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2019, for the Township's individual funds, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental:			
General	\$ 25,581	\$ -	\$ 25,581
Fire	4,234	8,778	13,012
Capital projects	16,725	-	16,725
Nonmajor	2,662	-	2,662
Total governmental	<u>\$ 49,202</u>	<u>\$ 8,778</u>	<u>\$ 57,980</u>
Proprietary:			
Sewer	\$ 29,770	\$ -	\$ 29,770
Inspections	9,775	-	9,775
Total proprietary	<u>\$ 39,545</u>	<u>\$ -</u>	<u>\$ 39,545</u>

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended March 31, 2019, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>
Governmental activities - compensated absences	<u>\$ 14,321</u>	<u>\$ 20,457</u>	<u>\$ (19,482)</u>	<u>\$ 15,296</u>

NOTE 8 - PROPERTY TAXES

The 2018 taxable valuation of the Township approximated \$442,546,000, on which ad valorem taxes levied consisted of 0.7691 mills for operating purposes and 0.9566 mills for fire protection, raising approximately \$341,000 for operating purposes and \$424,000 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 prior year, to finance a sewer system improvement. The advance is expected to be repaid over three years, with interest at 1.3%. The balance at March 31, 2019, is \$67,425.

NOTE 10 - INTERFUND TRANSFERS

The interfund transfers for the year ended March 31, 2019, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Capital	\$ 148,000	General Fire	\$ 100,000 <u>48,000</u>
			148,000
Capital Projects	<u>155,440</u>	General	<u>155,400</u>
	<u>\$ 303,440</u>	Total	<u>\$ 303,400</u>

The transfers to the Fire Capital Fund represent funds will be 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.

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 \$28,626 during the fiscal year ended March 31, 2019. Employees made no contributions during fiscal year 2019. 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, 2019, 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.

NOTE 15 - CONTINGENT LIABILITY

In the normal course of its activities, the Township becomes a party in various legal actions. The Township is currently involved in certain tax appeals, which could have a significant financial impact. Because the outcome of these lawsuits is not presently determinable, the possible range of the potential cost cannot be reasonably predicted; therefore, no accrual has been made for this amount in the financial statements. The Township intends to vigorously defend its position in these cases.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities

NOTE 17 - CORRECTION OF AN ERROR

A prior period adjustment has been recorded in fiscal year 2019 to correct the accounting for a grant receivable that resulted in a restatement of opening fund balance and net position. Fund balance and net position, as of March 31, 2018, included in the governmental fund financial statements and in the government-wide financial statements, represents restated balances, as presented below.

	<u>Fund Balance</u>	<u>Net position</u>
	<u>Capital Project</u>	<u>Governmental</u>
	<u>Fund</u>	<u>activities</u>
Beginning of year, as previously reported	\$ 243,426	\$ 5,257,024
Prior period adjustment:		
Understatement of receivables	<u>40,499</u>	<u>40,499</u>
Beginning of year, as restated	<u>\$ 283,925</u>	<u>\$ 5,297,523</u>

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 388,840	\$ 388,840	\$ 399,344	\$ 10,504
Licenses and permits	93,529	93,529	95,070	1,541
State grants:				
State shared revenue	830,804	830,804	880,405	49,601
Metro Act	12,000	12,000	14,025	2,025
Charges for services	30,955	30,955	37,529	6,574
Fines and forfeitures	-	-	1,033	1,033
Interest and rentals	11,033	11,033	15,229	4,196
Other	4,500	5,100	9,616	4,516
	<u>1,371,661</u>	<u>1,372,261</u>	<u>1,452,251</u>	<u>79,990</u>
Total revenues				
EXPENDITURES				
General government:				
Legislative - Township board	40,293	40,373	37,365	3,008
Supervisor	99,357	99,960	97,859	2,101
Elections	41,350	41,350	30,494	10,856
Assessor	92,727	91,027	78,428	12,599
Clerk	100,595	101,358	100,860	498
Board of review	1,293	1,293	1,211	82
Treasurer	101,912	102,424	99,384	3,040
Hall and grounds	38,084	38,984	27,512	11,472
Cemetery	24,855	25,940	21,701	4,239
General administration	110,773	113,653	92,117	21,536
Other	108,500	83,805	30,645	53,160
	<u>759,739</u>	<u>740,167</u>	<u>617,576</u>	<u>122,591</u>
Total general government				
Public safety:				
Police protection	114,247	114,247	88,599	25,648
Ordinance enforcement	25,801	25,801	20,581	5,220
	<u>140,048</u>	<u>140,048</u>	<u>109,180</u>	<u>30,868</u>
Total public safety				

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2019

	<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	\$ 131,500	\$ 131,500	\$ 125,548	\$ 5,952
Engineering	<u>10,000</u>	<u>10,000</u>	<u>2,603</u>	<u>7,397</u>
Total public works	<u>141,500</u>	<u>141,500</u>	<u>128,151</u>	<u>13,349</u>
Community and economic development - planning and zoning	<u>119,597</u>	<u>126,785</u>	<u>86,149</u>	<u>40,636</u>
Recreation and culture:				
Parks and recreation	129,962	138,519	116,045	22,474
Historical society	<u>6,060</u>	<u>10,887</u>	<u>10,731</u>	<u>156</u>
Total recreation and culture	<u>136,022</u>	<u>149,406</u>	<u>126,776</u>	<u>22,630</u>
Total expenditures	<u>1,296,906</u>	<u>1,297,906</u>	<u>1,067,832</u>	<u>230,074</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	74,755	74,355	384,419	310,064
OTHER FINANCING USES				
Transfers out	<u>(255,440)</u>	<u>(255,440)</u>	<u>(255,440)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(180,685)	(181,085)	128,979	310,064
FUND BALANCES - BEGINNING	<u>1,168,154</u>	<u>1,168,154</u>	<u>1,168,154</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 987,469</u>	<u>\$ 987,069</u>	<u>\$ 1,297,133</u>	<u>\$ 310,064</u>

Township of Algoma

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 410,700	\$ 410,700	\$ 424,000	\$ 13,300
Interest	100	100	277	177
Other	<u>1,200</u>	<u>1,200</u>	<u>3,511</u>	<u>2,311</u>
Total revenues	412,000	412,000	427,788	15,788
EXPENDITURES				
Public safety	<u>369,834</u>	<u>369,834</u>	<u>355,096</u>	<u>14,738</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	42,166	42,166	72,692	30,526
OTHER FINANCING USES				
Transfers out	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES				
	(5,834)	(5,834)	24,692	30,526
FUND BALANCES - BEGINNING				
	<u>281,273</u>	<u>281,273</u>	<u>281,273</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 275,439</u>	<u>\$ 275,439</u>	<u>\$ 305,965</u>	<u>\$ 30,526</u>