

**TOWNSHIP OF SHIAWASSEE
Shiawassee County, Michigan**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED MARCH 31, 2017

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INDEPENDENT AUDITOR'S REPORT

August 18, 2017

To Township Board
Township of Shiawassee
Shiawassee County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Shiawassee, Shiawassee County, Michigan as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of 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 from 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, each major fund, and the aggregate remaining fund information of the Township of Shiawassee, as of March 31, 2017, and the respective changes in financial position 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 identified in the table of 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.

VMD & Associates, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Township of Shiawassee, Shiawassee County, Michigan

The Shiawassee Township Board provides interested parties with the following report of the Township's financial statements and a narrative overview and analysis of the financial activities of Shiawassee Township for the fiscal year ended March 31, 2017.

FINANCIAL HIGHLIGHTS

The assets of Shiawassee Township exceeded its liabilities at the close of the most recent fiscal year by \$1,896,739 (net position). Of this amount, \$1,063,086 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,516,613 an increase of \$152,020 in comparison with the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Shiawassee Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements present the functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include: general government, building and grounds, cemetery, community and economic development, public works (roads and drains), health and welfare, recreation and culture, and capital outlay.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Township of Shiawassee, Shiawassee County, Michigan

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Shiawassee Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township maintains a governmental fund and a fiduciary tax fund. The Township adopts an annual appropriated budget for its general fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The most significant portion of the Township's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position may be used to meet the Township's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Township of Shiawassee, Shiawassee County, Michigan

Township of Shiawassee's Net Position

| | Governmental activities | |
|----------------------------|----------------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Current and other assets | \$ 1,565,721 | \$ 1,400,722 |
| Capital assets | <u>364,181</u> | <u>321,953</u> |
| Total assets | <u>1,929,902</u> | <u>1,722,675</u> |
| Current Liabilities | <u>33,163</u> | <u>22,290</u> |
| Net position: | | |
| Invested in capital assets | 364,181 | 321,953 |
| Restricted | 469,472 | 390,003 |
| Unrestricted | <u>1,063,086</u> | <u>988,429</u> |
| Total net position | <u>\$ 1,896,739</u> | <u>\$ 1,700,385</u> |

Governmental activities - Governmental activities increased the Township's unrestricted net position by \$74,657. Expenses were in line with budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
 Township of Shiawassee, Shiawassee County, Michigan

Township of Shiawassee's Changes in Net Position

| | Governmental activities | |
|------------------------------------|----------------------------|---------------------|
| | 2017 | 2016 |
| Revenues: | | |
| General revenues: | | |
| Property taxes | \$ 162,943 | \$ 158,643 |
| State revenue sharing | 184,380 | 172,944 |
| Charges for services | 33,301 | 57,730 |
| Metro act | 4,749 | 3,600 |
| Interest | 3,227 | 5,355 |
| Grant income | 84,053 | - |
| Miscellaneous | 18,976 | 7,534 |
| | <u>\$491,629</u> | <u>405,806</u> |
| Total revenues | | |
| Expenses: | | |
| General government | 157,749 | 166,924 |
| Public safety | 99,908 | 121,988 |
| Public works | 33,618 | 60,330 |
| Community and economic development | 4,000 | 2,295 |
| | <u>295,275</u> | <u>351,537</u> |
| Total expenses | | |
| Change in net position | 196,354 | 54,269 |
| Net position, beginning of year | <u>1,700,385</u> | <u>1,646,116</u> |
| Net position, end of year | <u>\$ 1,896,739</u> | <u>\$ 1,700,385</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS
Township of Shiawassee, Shiawassee County, Michigan

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,516,613. Of this amount, \$336,455 is unassigned fund balance, which is available for spending at the Township's discretion.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of March 31, 2017 amounts to \$364,181 (net of accumulated depreciation).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Shiawassee Township receives only constitutional revenue sharing and therefore expects that State-shared revenues will remain relatively flat or slightly increase in the future fiscal years. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. Taxable value increased from last year. These factors were considered in preparing the Township's budget for the next fiscal year.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of Shiawassee Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to a Township Official at PO BOX 86, Bancroft, Michigan 48414 or by calling the Township Office at 989-634-9700.

**TOWNSHIP OF SHIAWASSEE
STATEMENT OF NET POSITION
MARCH 31, 2017**

| | Governmental activities |
|---------------------------------------|----------------------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 1,003,163 |
| Investments | 441,549 |
| Due from other governments | 88,743 |
| Due from others | 22,412 |
| Prepaid expenses | 9,854 |
| Total Current Assets | 1,565,721 |
| Noncurrent assets | |
| Capital Assets not being depreciated | 1,348,595 |
| Capital assets being depreciated, net | (984,414) |
| Total Capital Assets | 364,181 |
| Total Assets | \$ 1,929,902 |

LIABILITIES AND NET POSITION

| | |
|------------------------------------|--------------|
| Liabilities: | |
| Current liabilities | |
| Accounts payable | \$ 909 |
| Accrued liabilities | 12,957 |
| Due to other funds | 19,297 |
| Total current liabilities | 33,163 |
| Net Position: | |
| Net invested in Capital Assets | 364,181 |
| Restricted for: | |
| Ambulance service | 5,755 |
| Fire protection | 447,816 |
| Cemetery maintenance | 15,901 |
| Unrestricted | 1,063,086 |
| Total Net Position | 1,896,739 |
| Total Liabilities and Net Position | \$ 1,929,902 |

**TOWNSHIP OF SHIAWASSEE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2017**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program revenues</u> | | <u>Governmental activities</u> |
|--|-----------------|-----------------------------|---|--|
| | | <u>Charges for services</u> | <u>Operating grants and contributions</u> | <u>Net (expense) revenue and changes in net position</u> |
| Governmental activities: | | | | |
| General government | \$ 157,749 | \$ - | \$ - | \$(157,749) |
| Public safety | 99,908 | 33,301 | 84,053 | 17,446 |
| Public works | 33,618 | - | - | (33,618) |
| Community and economic development | 4,000 | - | - | (4,000) |
| Total governmental activities | <u>295,275</u> | <u>33,301</u> | <u>84,053</u> | <u>(177,921)</u> |
| General revenues: | | | | |
| Property taxes and administrative fees | | | | 162,943 |
| State-shared revenue | | | | 184,380 |
| Interest and rentals | | | | 17,084 |
| Other revenue | | | | 9,868 |
| Total general revenues | <u>-</u> | <u>-</u> | | <u>374,275</u> |
| CHANGE IN NET POSITION | 295,275 | 33,301 | | 196,354 |
| NET POSITION, beginning of year | | | | <u>1,700,385</u> |
| NET POSTION, end of year | | | | <u>\$ 1,896,739</u> |

**TOWNSHIP OF SHIAWASSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2017**

| ASSETS | General | Special revenue fund Fire Fund | Total nonmajor funds | Total governmental funds |
|-----------------------------|----------------------------|--------------------------------------|--------------------------|-----------------------------|
| | <u>General</u> | <u>Fire Fund</u> | <u>funds</u> | <u>funds</u> |
| Assets: | | | | |
| Cash | \$ 573,668 | \$ 135,442 | \$ 294,053 | \$ 1,003,163 |
| Investments | 426,549 | - | 15,000 | 441,549 |
| Due from governmental units | 54,390 | 34,353 | - | 88,743 |
| Due from other funds | 22,412 | - | - | 22,412 |
| Prepaid Expenses | 5,510 | 4,344 | - | 9,854 |
| Total Assets | <u>\$ 1,082,529</u> | <u>\$ 174,139</u> | <u>\$ 309,053</u> | <u>\$ 1,565,721</u> |

LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE

| | | | | |
|---|----------------------------|--------------------------|--------------------------|----------------------------|
| Liabilities: | | | | |
| Accounts payable | \$ 731 | \$ 178 | \$ - | \$ 909 |
| Accrued liabilities | 12,957 | - | - | 12,957 |
| Due to other funds | - | 19,297 | - | 19,297 |
| Total Liabilities | <u>13,688</u> | <u>19,475</u> | <u>-</u> | <u>33,163</u> |
| Deferred Inflow of Resources: | | | | |
| Unavailable revenue- state revenue sharing | 15,945 | - | - | 15,945 |
| Total Deferred Inflow of Resources | <u>15,945</u> | <u>-</u> | <u>-</u> | <u>15,945</u> |
| Fund Balance: | | | | |
| Nonspendable | | | | |
| Prepaid expenses | \$ 5,510 | \$ - | \$ - | \$ 5,510 |
| Restricted | | | | |
| Ambulance service | 5,755 | - | - | 5,755 |
| Fire protection | - | 154,664 | 293,152 | 447,816 |
| Cemetery maintenance | - | - | 15,901 | 15,901 |
| Assigned | | | | |
| Building improvements | 705,176 | - | - | 705,176 |
| Unassigned | 336,455 | - | - | 336,455 |
| Total Fund Balance | <u>1,052,896</u> | <u>154,664</u> | <u>309,053</u> | <u>1,516,613</u> |
| Total Liabilities, Deferred Inflow of Resources and Fund Balance | <u>\$ 1,082,529</u> | <u>\$ 174,139</u> | <u>\$ 309,053</u> | <u>\$ 1,565,721</u> |

Total Governmental Fund Balances 1,516,613

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

| | |
|---|----------------------------|
| Revenue is deferred in governmental fund if not received within sixty days | 15,945 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in funds balance sheet: | |
| Cost of capital assets | 1,348,595 |
| Less accumulated depreciation | (984,414) |
| Total Net Position of Governmental Activities | <u>\$ 1,896,739</u> |

TOWNSHIP OF SHIAWASSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2017

| | General | Special revenue fund <u>Fire fund</u> | Total nonmajor funds | Total government fund |
|---|---------------------|---|-------------------------|--------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 85,156 | \$ 77,787 | \$ - | \$ 162,943 |
| State revenue sharing | 182,274 | - | - | 182,274 |
| Charge for services | - | 33,301 | - | 33,301 |
| Grant Income | - | 84,053 | - | 84,053 |
| Metro act | 4,749 | - | - | 4,749 |
| Interest | 2,900 | 147 | 180 | 3,227 |
| Miscellaneous | 17,511 | 1,465 | - | 18,976 |
| TOTAL REVENUES | <u>292,590</u> | <u>196,753</u> | <u>180</u> | <u>489,523</u> |
| EXPENDITURES: | | | | |
| Legislative: | | | | |
| Township Board | 40,153 | - | - | 40,153 |
| General Government: | | | | |
| Supervisor | 10,212 | - | - | 10,212 |
| Elections | 5,123 | - | - | 5,123 |
| Assessor | 19,862 | - | - | 19,862 |
| Clerk | 16,792 | - | - | 16,792 |
| Board of Review | 100 | - | - | 100 |
| Treasurer | 15,458 | - | - | 15,458 |
| Building and grounds | 27,249 | - | - | 27,249 |
| Cemetery | 13,307 | - | 411 | 13,718 |
| Public Safety: | | | | |
| Fire operations | - | 69,666 | - | 69,666 |
| Planning | 4,000 | - | - | 4,000 |
| Public Works: | | | | |
| Roads and streets | 27,619 | - | - | 27,619 |
| Drains | 5,999 | - | - | 5,999 |
| Capital outlay | - | 81,553 | - | 81,553 |
| TOTAL EXPENDITURES | <u>185,873</u> | <u>151,219</u> | <u>411</u> | <u>337,503</u> |
| NET CHANGE IN FUND BALANCE | <u>106,717</u> | <u>45,534</u> | <u>(231)</u> | <u>152,020</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers from other funds | - | - | 63,000 | 63,000 |
| Transfers to other funds | (30,000) | (33,000) | - | (63,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (30,000) | (33,000) | 63,000 | - |
| FUND BALANCE, April 1, 2016 | <u>976,179</u> | <u>142,130</u> | <u>246,284</u> | <u>1,364,593</u> |
| FUND BALANCE, March 31, 2017 | <u>\$ 1,052,896</u> | <u>\$ 154,664</u> | <u>\$ 309,053</u> | <u>\$ 1,516,613</u> |

**TOWNSHIP OF SHIAWASSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2017**

| | |
|--|----------------|
| Net change in fund balances - total governmental funds | 152,020 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Revenue earned but not collected within sixty days is deferred in the governmental fund statements | 2,106 |
| Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over the estimated useful lives as depreciation: | |
| Capital outlay | 81,553 |
| Depreciation expense | (39,325) |
| | 196,354 |
| Change in net position of governmental activities | 196,354 |

**TOWNSHIP OF SHIAWASSEE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2017**

| | <u>Tax Collection Funds</u> |
|---------------------------------|---------------------------------|
| ASSETS | |
| Cash | <u><u>\$ 3,115</u></u> |
| LIABILITIES | |
| Due to other governmental units | - |
| Due to other funds | <u>3,115</u> |
| | <u><u>\$ 3,115</u></u> |

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide 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 non-fiduciary activities of the primary government. Governmental activities are supported by taxes, special assessments and intergovernmental revenues.

B. Reporting Entity

The Township of Shiawassee (the Township) is organized under provisions of Michigan law and is located in mid-Michigan. The Township is governed by the Township of Shiawassee Board of Trustees (the “Board”), which has responsibility and control over all activities related to the Township. The Township provides the following services; public safety (fire), public improvements (road maintenance and lighting), economic development (planning and zoning), health and welfare (paramedic services), recreation and general administrative services.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Township’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary – are presented. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The *fire fund* is a special revenue fund. It is used to account for the Township’s fire tax levy and fire operations.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

The government reports the following nonmajor governmental funds:

The *cemetery perpetual care fund* is used to account for monies received and disbursed for the maintenance of the Township's cemetery.

The *fire building fund* is used to account for fire money set aside by the Township for future purchases of fire buildings and equipment.

The Township government reports the tax collections as a fiduciary fund (agency fund).

The *agency fund* is utilized to account for the Township's collection of taxes for other governmental units.

During the course of operations the Township has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are generally 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, claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

Franchise fees, licenses, 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 year. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue funds. Other funds do not have appropriated budgets.

The appropriate budget is prepared by fund, function and department. The Township's Clerk may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Township does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The budget was approved prior to March 31, 2017. The Township does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at fair value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the U.S Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" and are all current.

Receivables consist primarily of amounts for taxes and customer charges. Delinquent amounts are ultimately added to the tax roll and become a lien on the property. No allowance for doubtful accounts is considered necessary for the accounts and current taxes receivable.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (usage rights), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful life:

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|--------------|
| Building and building improvements | 25-40 |
| Land improvements | 10-20 |
| Roads and infrastructure | 15-30 |
| Vehicles, equipment and machinery | 5-10 |

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

5. 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, 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.

6. Fund balance flow assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Township itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the Township that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The board of trustees has by resolution authorized the township clerk to assign fund balance. The board of trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for certain individual funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

9. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, and local school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property tax receivable related to delinquent taxes that are unavailable unless collected within 60 days of year-end.

The Township is permitted by state statute to levy taxes up to \$1.00 per \$1,000 of taxable valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. In the current fiscal year, the township levied \$.8710 and \$1.000 per \$1,000 assessed value for general governmental services and fire protection services, respectively.

NOTE 2 - CASH AND INVESTMENTS

As of March 31, 2017, the Township had no investments as defined by generally accepted accounting principles. The investments reported on the face of the financial statements consist of money market and certificates of deposit.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio; or to meet liquidity needs.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. As of March 31, 2017, \$360,050 of the Township’s bank balance of \$1,474,755 was exposed to custodial credit risk because it was uninsured. Certificates of deposit amounted to \$441,549 and are included in the above totals. The amount on the books is \$1,444,847.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township had no such investments at March 31, 2017.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

The deposits are reported in the financial statements as follows:

| | |
|--|--------------|
| Cash - fiduciary fund | \$ 3,115 |
| Cash - township wide | 1,003,163 |
| Investments - township wide (certificates of deposit and money market) | 441,549 |
| Total | \$ 1,447,827 |

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities for the current year was as follows:

| | Balance April 1, 2016 | Additions | Deletions | Balance March 31, 2017 |
|---------------------------------------|--------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 183,167 | - | - | \$ 183,167 |
| Construction in progress | 73,913 | - | - | 73,913 |
| Capital assets being depreciated: | | | | |
| Land improvements | 18,175 | - | - | 18,175 |
| Buildings | 146,033 | - | - | 146,033 |
| Office equipment | 28,065 | - | - | 28,065 |
| Infrastructure | 76,670 | - | - | 76,670 |
| Vehicles | 520,640 | - | - | 520,640 |
| Other equipment | 220,379 | 81,553 | - | 301,932 |
| | | | | |
| Total | 1,267,042 | 81,553 | - | 1,348,595 |
| Accumulated Depreciation | (945,089) | | (39,325) | (984,414) |
| | | | | |
| Net Capital Assets | <u>\$ 321,953</u> | | | <u>\$ 364,181</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|------------------|
| Governmental activities: | |
| General government | \$ 9,083 |
| Public works | 30,242 |
| Total depreciation - governmental activities | <u>\$ 39,325</u> |

NOTE 4 – PENSION PLAN

The Township has a defined contribution plan covering certain employees. The Township contributes a percentage of each employee's wages to the plan. The employees also made contributions to the plan. The pension for the fiscal year ended March 31, 2017, was \$5,996.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**TOWNSHIP OF SHIAWASSEE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows at March 31, 2017:

| Fund | Interfund Receivable | Interfund Payable |
|---------------------|---------------------------------|------------------------------|
| General fund | \$ 22,412 | \$ - |
| Tax collection fund | - | 3,115 |
| Fire fund | - | 19,297 |

The transfer from the general fund and fire fund to the fire building fund (a nonmajor governmental fund) was made to provide funds for future fire building expenses.

| Fund | Transfer to Other Funds | Transfer from Other Funds |
|--------------------|------------------------------------|--------------------------------------|
| General fund | \$ 30,000 | \$ - |
| Fire fund | 33,000 | - |
| Fire building fund | - | 63,000 |

NOTE 7 – SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 18, 2017, the date the financial statements were available to be reviewed.

**TOWNSHIP OF SHIAWASSEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2017**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual 2017</u> | <u>Variance positive (negative)</u> |
|--|----------------------------|-------------------------|------------------------|---|
| REVENUES: | | | | |
| Property taxes | \$ 71,500 | \$ 71,500 | \$ 85,156 | \$ 13,656 |
| State revenue sharing | 160,000 | 160,000 | 182,274 | 22,274 |
| Metro act | 4,000 | 4,000 | 4,749 | 749 |
| Interest | 300 | 300 | 2,900 | 2,600 |
| Miscellaneous | 16,900 | 16,900 | 17,511 | 611 |
| TOTAL REVENUES | <u>252,700</u> | <u>252,700</u> | <u>292,590</u> | <u>39,890</u> |
| EXPENDITURES: | | | | |
| Legislative: | | | | |
| Township Board | 38,839 | 38,839 | 40,153 | (1,314) |
| General Government: | | | | |
| Supervisor | 10,300 | 10,300 | 10,212 | 88 |
| Elections | 5,135 | 5,135 | 5,123 | 12 |
| Assessor | 19,862 | 19,862 | 19,862 | 0 |
| Clerk | 16,792 | 16,792 | 16,792 | 0 |
| Board of Review | 800 | 800 | 100 | 700 |
| Treasurer | 15,459 | 15,459 | 15,458 | 1 |
| Building and grounds | 27,250 | 27,250 | 27,249 | 1 |
| Cemetery | 28,780 | 28,780 | 13,307 | 15,473 |
| Planning | 4,000 | 4,000 | 4,000 | - |
| Public Works: | | | | |
| Roads and streets | 39,000 | 39,000 | 27,619 | 11,381 |
| Drains | 6,000 | 6,000 | 5,999 | 1 |
| TOTAL EXPENDITURES | <u>212,217</u> | <u>212,217</u> | <u>185,873</u> | <u>26,344</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>40,483</u> | <u>40,483</u> | 106,717 | <u>13,546</u> |
| OTHER FINANCING USES - TRANSFERS OUT | | | (30,000) | |
| FUND BALANCE, April 1, 2016 | | | <u>976,179</u> | |
| FUND BALANCE, March 31, 2017 | | | <u>\$ 1,052,896</u> | |

**TOWNSHIP OF SHIAWASSEE
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
YEAR ENDED MARCH 31, 2017**

| | Original Budget | Final Budget | Actual 2017 | Variance positive (negative) |
|--|--------------------|-----------------|-------------------|------------------------------------|
| REVENUES: | | | | |
| Property taxes | \$ 74,000 | \$ 74,000 | \$ 77,787 | \$ 3,787 |
| Charges for services | 35,000 | 35,000 | 33,301 | (1,699) |
| Grant income | 5,000 | 5,000 | 84,053 | 79,053 |
| Interest | - | - | 147 | 147 |
| Miscellaneous | 1,500 | 1,500 | 1,465 | (35) |
| TOTAL REVENUES | <u>115,500</u> | <u>115,500</u> | <u>196,753</u> | <u>81,253</u> |
| EXPENDITURES: | | | | |
| Public safety - Fire operations | <u>115,500</u> | <u>115,500</u> | <u>151,219</u> | <u>(35,719)</u> |
| TOTAL EXPENDITURES | <u>115,500</u> | <u>115,500</u> | <u>151,219</u> | <u>(35,719)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>-</u> | 45,534 | <u>45,534</u> |
| OTHER FINANCING USES - TRANSFERS OUT | | | (33,000) | |
| FUND BALANCE, April 1, 2016 | | | <u>142,130</u> | |
| FUND BALANCE, March 31, 2017 | | | <u>\$ 154,664</u> | |