

TOWNSHIP OF ACME, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Acme, Michigan

Report on the Financial Statements

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 Acme, Michigan (the "Township"), as of and for the year ended June 30, 2018, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
November 5, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Township of Acme, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$26,971,857 (net position). Of this amount, \$4,311,578 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$2,794,391, an increase of \$421,780 in comparison with the prior year. Approximately 29.6% of this amount (\$826,498) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$826,498, or approximately 105.0% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support 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 financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township 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 for some items that will only result in cash flows in future fiscal periods (e.g., capital asset activity and special assessment receivables).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, recreation and culture, community and economic development, and public works. The business-type activities of the Township include water and sewer services.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, farm land preservation, Holiday Hills improvement, and the Bayside Park Capital funds, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds. The Township maintains one type of proprietary fund, which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities*

in the government-wide financial statements. The Township uses enterprises funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations, which are presented as separated funds of the Township.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements 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.

The Township maintains one type of fiduciary fund, known as an agency fund type. The agency fund reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* demonstrating the Township's compliance with its operating budgets by providing budgetary comparison schedules.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$26,971,857 at the close of the most recent fiscal year.

| Township of Acme's Net Position | | | | | | |
|-----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| ASSETS | | | | | | |
| <i>Current Assets</i> | | | | | | |
| Cash and Investments | \$ 2,813,206 | \$ 2,201,295 | \$ 2,018,572 | \$ 2,738,665 | \$ 4,831,778 | \$ 4,939,960 |
| Receivables | 713,590 | 767,591 | 76,986 | 75,346 | 790,576 | 842,937 |
| Prepaid Items | 10,870 | 15,933 | - | - | 10,870 | 15,933 |
| Due from County | 121,358 | 128,288 | - | - | 121,358 | 128,288 |
| Due from State | 140,486 | 58,549 | - | - | 140,486 | 58,549 |
| Total Current Assets | 3,799,510 | 3,171,656 | 2,095,558 | 2,814,011 | 5,895,068 | 5,985,667 |
| <i>Noncurrent Assets</i> | | | | | | |
| Non-depreciable Capital Assets | 14,952,835 | 14,952,835 | - | - | 14,952,835 | 14,952,835 |
| Depreciable Capital Assets, Net | 659,965 | 493,003 | 7,131,217 | 6,217,036 | 7,791,182 | 6,710,039 |
| Total Assets | 19,412,310 | 18,617,494 | 9,226,775 | 9,031,047 | 28,639,085 | 27,648,541 |
| LIABILITIES | | | | | | |
| <i>Current Liabilities</i> | | | | | | |
| Accounts Payable | 189,476 | 38,405 | 12,372 | 54,118 | 201,848 | 92,523 |
| Accrued Liabilities | 14,867 | 15,412 | - | - | 14,867 | 15,412 |
| Accrued Interest | 3,772 | 3,809 | 3,196 | 3,021 | 6,968 | 6,830 |
| Unearned Revenue | 109,930 | - | - | - | 109,930 | - |
| Current Portion of Long-term Debt | 55,000 | 50,000 | 105,217 | 98,718 | 160,217 | 148,718 |
| Total Current Liabilities | 373,045 | 107,626 | 120,785 | 155,857 | 493,830 | 263,483 |
| <i>Noncurrent Liabilities</i> | | | | | | |
| Compensated Absences | 1,785 | 418 | - | - | 1,785 | 418 |
| Long-term Debt | 810,000 | 865,000 | 361,613 | 470,376 | 1,171,613 | 1,335,376 |
| Total Liabilities | 1,184,830 | 973,044 | 482,398 | 626,233 | 1,667,228 | 1,599,277 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 14,747,800 | 15,445,838 | 6,664,387 | 5,647,942 | 21,412,187 | 21,093,780 |
| Restricted | 1,248,092 | 1,065,000 | - | - | 1,248,092 | 1,065,000 |
| Unrestricted | 2,231,588 | 1,133,612 | 2,079,990 | 2,756,872 | 4,311,578 | 3,890,484 |
| Total Net Position | \$ 18,227,480 | \$ 17,644,450 | \$ 8,744,377 | \$ 8,404,814 | \$ 26,971,857 | \$ 26,049,264 |

The largest portion of the Township's net position (\$21,412,187, or 79.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$1,248,092, or 4.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,311,578, or 16.0%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Unearned revenues increased by \$109,930 during the year because the Township received capital grant funds in advance of the underlying project costs for the Bayside Park improvement project. Accordingly, these funds will be recognized as revenues in the subsequent year as the project costs continue to be incurred.

Also, capital assets increased from \$21,662,874 as of June 30, 2017 to \$22,744,017 as of June 30, 2018. This increase was a result of \$210,121 of Bayside Park improvement costs that were capitalized and another \$1,159,360 of sewer system upgrades.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$922,593 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$583,030 from the prior fiscal year for an ending balance of \$18,227,480.

Property tax revenues increased from \$1,373,228 during the prior year to \$1,430,622 during FYE 6/30/2018. The increase is primarily a result of an approximate 3.6% increase in taxable values within the Township compared to the prior year.

Governmental activities expenses stayed relatively consistent with the prior year, showing a decrease of \$83,125 across all functions.

Business-type Activities. The results of the Township's business-type activities during the current fiscal year show an increase in overall net position of \$339,563, increasing overall net position to \$8,744,377. Charges for services remained consistent compared to 2017.

The following page shows a two-year comparison of the changes in net position for both the governmental and business-type activities.

| Township of Acme's Changes in Net Position | | | | | | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 187,443 | \$ 185,984 | \$ 936,043 | \$ 958,556 | \$ 1,123,486 | \$ 1,144,540 |
| Operating Grants and Contributions | 34,872 | 45,993 | - | - | 34,872 | 45,993 |
| Capital Grants and Contributions | 210,121 | 226,776 | - | - | 210,121 | 226,776 |
| Total Program Revenues | 432,436 | 458,753 | 936,043 | 958,556 | 1,368,479 | 1,417,309 |
| General Revenues | | | | | | |
| Property Taxes | 1,430,622 | 1,373,228 | - | - | 1,430,622 | 1,373,228 |
| State Revenue Sharing | 363,689 | 351,912 | - | - | 363,689 | 351,912 |
| Other | - | - | - | - | - | - |
| Interest Income | 28,905 | 5,119 | 4,401 | 9,977 | 33,306 | 15,096 |
| Total General Revenues | 1,823,216 | 1,730,259 | 4,401 | 9,977 | 1,827,617 | 1,740,236 |
| Total Revenues | 2,255,652 | 2,189,012 | 940,444 | 968,533 | 3,196,096 | 3,157,545 |
| Expenses | | | | | | |
| General Government | 488,330 | 507,707 | - | - | 488,330 | 507,707 |
| Public Safety | 866,597 | 876,534 | - | - | 866,597 | 876,534 |
| Public Works | 11,386 | 49,354 | - | - | 11,386 | 49,354 |
| Community and Economic Development | 163,904 | 166,561 | - | - | 163,904 | 166,561 |
| Recreation and Culture | 118,087 | 131,651 | - | - | 118,087 | 131,651 |
| Water and Sewer | - | - | 601,881 | 775,909 | 601,881 | 775,909 |
| Interest on Long-term Debt | 23,318 | 22,940 | - | - | 23,318 | 22,940 |
| Total Expenses | 1,671,622 | 1,754,747 | 601,881 | 775,909 | 2,273,503 | 2,530,656 |
| Change in Net Position Before Transfers | 584,030 | 434,265 | 338,563 | 192,624 | 922,593 | 626,889 |
| Transfers | (1,000) | (20,145) | 1,000 | 20,145 | - | - |
| Change in Net Position | 583,030 | 414,120 | 339,563 | 212,769 | 922,593 | 626,889 |
| <i>Net Position at Beginning of Period</i> | <i>17,644,450</i> | <i>17,230,330</i> | <i>8,404,814</i> | <i>8,192,045</i> | <i>26,049,264</i> | <i>25,422,375</i> |
| Net Position at End of Period | \$ 18,227,480 | \$ 17,644,450 | \$ 8,744,377 | \$ 8,404,814 | \$ 26,971,857 | \$ 26,049,264 |

Financial Analysis of Governmental Funds

As noted earlier, the Township uses 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 near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At June 30, 2018, the Township's governmental funds reported combined fund balances of \$2,794,391, an increase of \$421,780 in comparison with the prior year. Approximately 29.6% of this amount (\$826,498) constitutes *unassigned fund balance*, which is available for spending at

the government's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is: 1) restricted for particular purposes (\$1,248,092), 2) not in a spendable form (\$132,228), or 3) committed for particular purposes (\$587,573).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$826,498, while total fund balance increased to \$1,423,387. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 105.0% of total general fund expenditures and transfers out, while total fund balance represents approximately 180.9% percent of that same amount.

The fund balance of the Township's general fund increased by \$114,175 during the current fiscal year which put the overall fund balance at \$1,423,387.

The fire fund, a major fund, had a \$3,029 decrease in fund balance during the current fiscal year which put the overall fund balance at \$55,686. This decrease in fund balance is related to the decreased transfers from the general fund to subsidize its operations.

The farm land preservation fund, a major fund, had a \$196,565 increase in fund balance during the current fiscal year which put the overall fund balance at \$785,521. This increase in fund balance is related to the decreased farm land development activities in the current year.

The Holiday Hills improvement fund, a major fund, had a \$5,454 increase in fund balance during the current fiscal year which put the overall fund balance at \$308,297. The entire fund balance is restricted and will be expended on future road improvements and debt service payments on the 2015 transportation bond.

The Bayside Park capital fund, a new major fund, had a \$100,000 increase in fund balance during the current fiscal year which put the overall fund balance at \$100,000. This increase in fund balance is related to transfers in for the Bayside park capital improvement project.

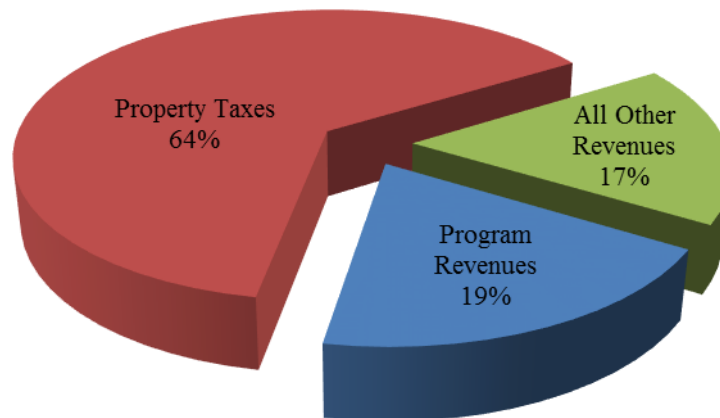
Proprietary Funds. The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund and water fund at the end of the year was \$2,078,488 and \$1,502, respectively. The increase in net position for the sewer fund and water fund was \$235,696 and \$103,867, respectively.

Governmental Activities

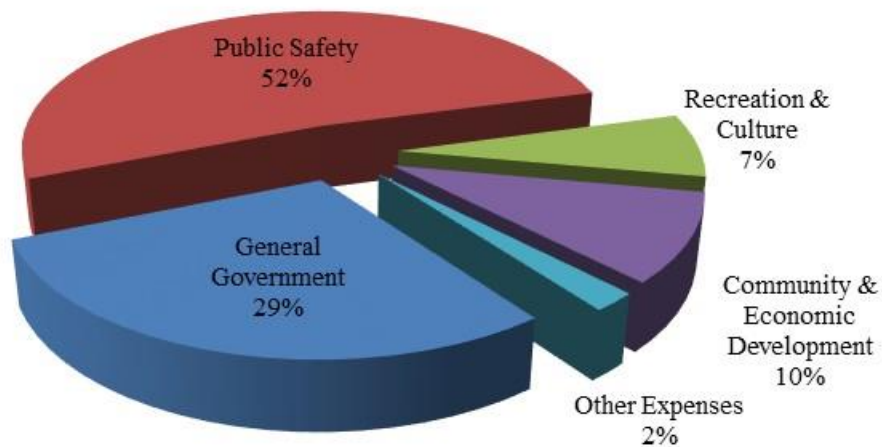
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. The Township did not significantly amend the original budget during the year.

Final budget compared to actual results. The Township had the following expenditures in excess of the amount appropriated during the year ended June 30, 2018:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------|---------------------|---------------|-----------------|
| General Fund | | | |
| Parks and Recreation | \$ 65,432 | \$ 66,489 | \$ (1,057) |

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the Township had \$22,744,017 invested in capital assets. The following table represents the Townships investment in capital assets:

| | |
|-----------------------------|-----------------------------|
| Land and Development Rights | \$ 14,952,835 |
| Equipment | 14,255 |
| Building and Improvements | 622,274 |
| Vehicles | 23,436 |
| Water and Sewer System | <u>7,131,217</u> |
| Capital Assets, Net | <u>\$ 22,744,017</u> |

More detailed information about the Township's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year-end the Township had total long-term debt of \$1,331,830, exclusive of compensated absences. The Township continued to pay down its debt, retiring \$152,264 of outstanding debt principal during the year.

The State limits the amount of general obligation debt that a local unit can issue to 10 percent of the assessed value of all taxable property within a Township's boundaries. The Township is well under the State limit as of June 30, 2018.

More detailed information about the Township's long-term debt can be found in the notes to the financial statements section of this document.

Economic Condition and Outlook

Management estimates that approximately \$920,000 of revenues will be available for appropriation in the general fund in the upcoming year. Expenditures are expected to change by small amounts compared to 2018. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2019, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors 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:

Township of Acme
602 Acme Road
Williamsburg, MI 49690

Basic Financial Statements

**Township of Acme
Statement of Net Position
June 30, 2018**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and Investments | \$ 2,813,206 | \$ 2,018,572 | \$ 4,831,778 |
| Due from County | 121,358 | 76,986 | 198,344 |
| Accounts Receivable | 72,090 | -- | 72,090 |
| Special Assessments Receivable | 641,500 | -- | 641,500 |
| Due from State | 140,486 | -- | 140,486 |
| Prepaid Items | 10,870 | -- | 10,870 |
| Total Current Assets | <u>3,799,510</u> | <u>2,095,558</u> | <u>5,895,068</u> |
| <i>Noncurrent Assets</i> | | | |
| Non-depreciable Capital Assets | 14,952,835 | -- | 14,952,835 |
| Depreciable Capital Assets (net) | 659,965 | 7,131,217 | 7,791,182 |
| Total Assets | <u>19,412,310</u> | <u>9,226,775</u> | <u>28,639,085</u> |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts Payable | 189,476 | 12,372 | 201,848 |
| Accrued Payroll and Related Liabilities | 14,867 | -- | 14,867 |
| Accrued Interest | 3,772 | 3,196 | 6,968 |
| Unearned Revenue | 109,930 | -- | 109,930 |
| Current Portion of Long-term Debt | 55,000 | 103,478 | 158,478 |
| Current Portion of Contract Payable | -- | 1,739 | 1,739 |
| Total Current Liabilities | <u>373,045</u> | <u>120,785</u> | <u>493,830</u> |
| <i>Noncurrent Liabilities</i> | | | |
| Long-term Debt | 810,000 | 359,802 | 1,169,802 |
| Compensated Absences | 1,785 | -- | 1,785 |
| Contract Payable | -- | 1,811 | 1,811 |
| Total Liabilities | <u>1,184,830</u> | <u>482,398</u> | <u>1,667,228</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 14,747,800 | 6,664,387 | 21,412,187 |
| <i>Restricted for:</i> | | | |
| Public Safety | 147,316 | -- | 147,316 |
| Capital Projects | 6,864 | -- | 6,864 |
| Other Functions | 1,093,912 | -- | 1,093,912 |
| <i>Unrestricted</i> | 2,231,588 | 2,079,990 | 4,311,578 |
| Total Net Position | <u>\$ 18,227,480</u> | <u>\$ 8,744,377</u> | <u>\$ 26,971,857</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Acme
Statement of Activities
For the Year Ended June 30, 2018**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 488,330 | \$ 126,546 | \$ 9,864 | \$ -- | \$ (351,920) | \$ -- | \$ (351,920) |
| Public Safety | 866,597 | -- | 10,115 | -- | (856,482) | -- | (856,482) |
| Public Works | 11,386 | -- | -- | -- | (11,386) | -- | (11,386) |
| Recreation and Culture | 118,087 | 70 | 14,893 | 210,121 | 106,997 | -- | 106,997 |
| Community and Economic Development | 163,904 | 60,827 | -- | -- | (103,077) | -- | (103,077) |
| Interest on Long-term Debt | 23,318 | -- | -- | -- | (23,318) | -- | (23,318) |
| Total Governmental Activities | 1,671,622 | 187,443 | 34,872 | 210,121 | (1,239,186) | -- | (1,239,186) |
| Business-type Activities: | | | | | | | |
| Sewer Fund | 587,581 | 924,781 | -- | -- | -- | 337,200 | 337,200 |
| Water Fund | 14,300 | 11,262 | -- | -- | -- | (3,038) | (3,038) |
| Total Business-type Activities | 601,881 | 936,043 | -- | -- | -- | 334,162 | 334,162 |
| Total | \$ 2,273,503 | \$ 1,123,486 | \$ 34,872 | \$ 210,121 | \$ (1,239,186) | \$ 334,162 | \$ (905,024) |

General Purpose Revenues and Transfers:

Revenues

| | | | |
|-----------------------|-----------|-------|-----------|
| State Revenue Sharing | 363,689 | -- | 363,689 |
| Interest Income | 28,905 | 4,401 | 33,306 |
| Property Taxes | 1,430,622 | -- | 1,430,622 |

Transfers

| | | | |
|--|---------|-------|----|
| | (1,000) | 1,000 | -- |
|--|---------|-------|----|

Total General Revenues and Transfers

| | | | |
|--|-----------|-------|-----------|
| | 1,822,216 | 5,401 | 1,827,617 |
|--|-----------|-------|-----------|

Change in Net Position

| | | | |
|-------------------------------------|------------|-----------|------------|
| Net Position at Beginning of Period | 17,644,450 | 8,404,814 | 26,049,264 |
|-------------------------------------|------------|-----------|------------|

| | | | |
|-------------------------------|----------------------|---------------------|----------------------|
| Net Position at End of Period | \$ 18,227,480 | \$ 8,744,377 | \$ 26,971,857 |
|-------------------------------|----------------------|---------------------|----------------------|

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Acme
Balance Sheet
Governmental Funds
June 30, 2018**

| | | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Capital Projects</u> | | |
|--|---------------------|------------------------|-----------------------------------|--------------------------------------|--------------------------------------|---|---|
| | <u>General</u> | <u>Fire Fund</u> | <u>Farm Land Preservation</u> | <u>Holiday Hills Improvement</u> | <u>Bayside Park Capital Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | | | | | |
| Cash and Investments | \$ 1,060,291 | \$ 63,120 | \$ 785,521 | \$ 319,612 | \$ 462,160 | \$ 122,502 | \$ 2,813,206 |
| Due from County | 121,358 | -- | -- | -- | -- | -- | 121,358 |
| Accounts Receivable | 72,090 | -- | -- | -- | -- | -- | 72,090 |
| Special Assessments Receivable | -- | -- | -- | 641,500 | -- | -- | 641,500 |
| Due from State | 63,504 | -- | -- | -- | 76,982 | -- | 140,486 |
| Prepaid Items | 10,672 | -- | -- | -- | -- | 198 | 10,870 |
| Due from Other Funds | 185,000 | -- | -- | -- | -- | -- | 185,000 |
| <i>Total Assets</i> | \$ 1,512,915 | \$ 63,120 | \$ 785,521 | \$ 961,112 | \$ 539,142 | \$ 122,700 | \$ 3,984,510 |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 25,315 | \$ 7,434 | \$ -- | \$ 11,315 | \$ 144,212 | \$ 1,200 | \$ 189,476 |
| Accrued Payroll & Related Liabilities | 14,867 | -- | -- | -- | -- | -- | 14,867 |
| Unearned Revenue | -- | -- | -- | -- | 109,930 | -- | 109,930 |
| Due to Other Funds | -- | -- | -- | -- | 185,000 | -- | 185,000 |
| <i>Total Liabilities</i> | 40,182 | 7,434 | -- | 11,315 | 439,142 | 1,200 | 499,273 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenues | 49,346 | -- | -- | 641,500 | -- | -- | 690,846 |
| <i>Total Liabilities and Deferred Inflows of Resources</i> | 89,528 | 7,434 | -- | 652,815 | 439,142 | 1,200 | 1,190,119 |
| FUND BALANCE | | | | | | | |
| Nonspendable | 132,030 | -- | -- | -- | -- | 198 | 132,228 |
| Restricted | 6,958 | 55,686 | 785,521 | 308,297 | -- | 91,630 | 1,248,092 |
| Committed | 457,901 | -- | -- | -- | 100,000 | 29,672 | 587,573 |
| Unassigned | 826,498 | -- | -- | -- | -- | -- | 826,498 |
| <i>Total Fund Balance</i> | 1,423,387 | 55,686 | 785,521 | 308,297 | 100,000 | 121,500 | 2,794,391 |
| <i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i> | \$ 1,512,915 | \$ 63,120 | \$ 785,521 | \$ 961,112 | \$ 539,142 | \$ 122,700 | \$ 3,984,510 |

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Acme
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

| | |
|---|-----------------------------|
| Total Fund Balance - Governmental Funds | \$ 2,794,391 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. | (3,772) |
| General government capital assets of \$15,995,391, net of accumulated depreciation of \$382,591, are not financial resources and accordingly are not reported in the funds. | 15,612,800 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (865,000) |
| Receivables not collected within 60 days of year-end are not available to cover current period expenditures and, therefore, are reported as unavailable revenue in the funds. | 690,846 |
| Compensated absences are not due and payable in the current period, and therefore, are not reported in the funds. | (1,785) |
| Total Net Position - Governmental Funds | \$ <u>18,227,480</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Acme
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

| | | <u>Special Revenue</u> | | <u>Debt Service</u> | <u>Capital Projects</u> | | |
|---|---------------------|------------------------|-------------------------------|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| | <u>General</u> | <u>Fire Fund</u> | <u>Farm Land Preservation</u> | <u>Holiday Hills Improvement</u> | <u>Bayside Park Capital Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
| Revenues | | | | | | | |
| Property Taxes | \$ 344,466 | \$ 822,992 | \$ 240,103 | \$ -- | \$ -- | \$ 23,061 | \$ 1,430,622 |
| Special Assessments | -- | -- | -- | 54,382 | -- | -- | 54,382 |
| License & Permits | 92,054 | -- | -- | -- | -- | 10,115 | 102,169 |
| Local Contributions | 9,864 | -- | -- | -- | -- | 14,893 | 24,757 |
| Grants | -- | -- | -- | -- | 120,051 | -- | 120,051 |
| State Revenue Sharing | 363,689 | -- | -- | -- | -- | -- | 363,689 |
| Charges for Services | 62,276 | -- | -- | -- | -- | 7,700 | 69,976 |
| Other | 25,413 | -- | -- | -- | 90,070 | -- | 115,483 |
| Interest Income | 3,281 | -- | 1,192 | 24,427 | -- | 5 | 28,905 |
| Total Revenues | <u>901,043</u> | <u>822,992</u> | <u>241,295</u> | <u>78,809</u> | <u>210,121</u> | <u>55,774</u> | <u>2,310,034</u> |
| Expenditures | | | | | | | |
| General Government | 472,657 | -- | -- | -- | -- | 8,564 | 481,221 |
| Public Safety | -- | 826,021 | -- | -- | -- | 40,576 | 866,597 |
| Public Works | 11,386 | -- | -- | -- | -- | -- | 11,386 |
| Community & Economic Development | 119,174 | -- | 44,730 | -- | -- | -- | 163,904 |
| Recreation & Culture | 66,489 | -- | -- | -- | -- | 1,019 | 67,508 |
| Capital Outlay | 13,162 | -- | -- | -- | 210,121 | -- | 223,283 |
| Debt Service - Principal | -- | -- | -- | 50,000 | -- | -- | 50,000 |
| Debt Service - Interest | -- | -- | -- | 23,355 | -- | -- | 23,355 |
| Total Expenditures | <u>682,868</u> | <u>826,021</u> | <u>44,730</u> | <u>73,355</u> | <u>210,121</u> | <u>50,159</u> | <u>1,887,254</u> |
| Excess of Revenues Over (Under) Expenditures | <u>218,175</u> | <u>(3,029)</u> | <u>196,565</u> | <u>5,454</u> | <u>--</u> | <u>5,615</u> | <u>422,780</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | -- | -- | -- | -- | 100,000 | 12,282 | 112,282 |
| Transfers Out | (104,000) | -- | -- | -- | -- | (9,282) | (113,282) |
| Net Other Financing Sources (Uses) | <u>(104,000)</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>100,000</u> | <u>3,000</u> | <u>(1,000)</u> |
| Net Change in Fund Balance | <u>114,175</u> | <u>(3,029)</u> | <u>196,565</u> | <u>5,454</u> | <u>100,000</u> | <u>8,615</u> | <u>421,780</u> |
| <i>Fund Balance at Beginning of Period</i> | 1,309,212 | 58,715 | 588,956 | 302,843 | -- | 112,885 | 2,372,611 |
| Fund Balance at End of Period | <u>\$ 1,423,387</u> | <u>\$ 55,686</u> | <u>\$ 785,521</u> | <u>\$ 308,297</u> | <u>\$ 100,000</u> | <u>\$ 121,500</u> | <u>\$ 2,794,391</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Acme
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2018

| | |
|--|--------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 421,780 |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$223,283 is in excess of depreciation expense of \$56,321. | 166,962 |
| Increase in accrued interest expense. | 37 |
| Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. | 50,000 |
| Unavailable revenues not collected within 60 days of year-end are not included as revenues in the funds. However, they are reported as revenues in the statement of activities as soon as they are collectible. This represents the change in unavailable revenues during the year. | (54,382) |
| Changes to compensated absences are not shown in the fund financial statements. The net effect of the current year is to decrease net position. | (1,367) |
| Changes in Net Position - Governmental Funds | \$ <u>583,030</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Acme
Statement of Net Position
Proprietary Funds
June 30, 2018**

| | Business-type Activities - Enterprise Funds | | |
|-------------------------------------|--|----------------------------------|-----------------------------------|
| | Sewer Fund | Water Fund (Nonmajor) | Total Enterprise Funds |
| ASSETS | | | |
| <i>Current Assets</i> | | | |
| Cash and Investments | \$ 2,018,237 | \$ 335 | \$ 2,018,572 |
| Due from County | 75,819 | 1,167 | 76,986 |
| Total Current Assets | 2,094,056 | 1,502 | 2,095,558 |
| <i>Noncurrent Assets</i> | | | |
| Depreciable Capital Assets (net) | 7,028,852 | 102,365 | 7,131,217 |
| Total Assets | 9,122,908 | 103,867 | 9,226,775 |
| LIABILITIES | | | |
| <i>Current Liabilities</i> | | | |
| Accounts Payable | 12,372 | -- | 12,372 |
| Accrued Interest | 3,196 | -- | 3,196 |
| Current Portion of Long-term Debt | 103,478 | -- | 103,478 |
| Current Portion of Contract Payable | 1,739 | -- | 1,739 |
| Total Current Liabilities | 120,785 | -- | 120,785 |
| <i>Noncurrent Liabilities</i> | | | |
| Long-term Debt | 359,802 | -- | 359,802 |
| Contract Payable | 1,811 | -- | 1,811 |
| Total Liabilities | 482,398 | -- | 482,398 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,562,022 | 102,365 | 6,664,387 |
| <i>Unrestricted</i> | 2,078,488 | 1,502 | 2,079,990 |
| Total Net Position | \$ 8,640,510 | \$ 103,867 | \$ 8,744,377 |

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Acme
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

Business-type Activities - Enterprise Funds

| | Sewer Fund | Water Fund (Nonmajor) | Total Enterprise Funds |
|--|----------------------------|----------------------------------|-----------------------------------|
| Operating Revenues | | | |
| Charges for Services | \$ 924,781 | \$ 11,262 | \$ 936,043 |
| Total Operating Revenues | <u>924,781</u> | <u>11,262</u> | <u>936,043</u> |
| Operating Expenses | | | |
| Contractual Services | 334,119 | 10,760 | 344,879 |
| Depreciation | 241,639 | 3,540 | 245,179 |
| Total Operating Expenses | <u>575,758</u> | <u>14,300</u> | <u>590,058</u> |
| Operating Income (Loss) | <u>349,023</u> | <u>(3,038)</u> | <u>345,985</u> |
| Non-Operating Revenues (Expenses) | | | |
| Interest Income | 4,401 | -- | 4,401 |
| Interest Expense | (11,823) | -- | (11,823) |
| Net Non-Operating Revenues (Expenses) | <u>(7,422)</u> | <u>--</u> | <u>(7,422)</u> |
| Income Before Contributions and Transfers | 341,601 | (3,038) | 338,563 |
| Transfers In | -- | 106,905 | 106,905 |
| Transfers Out | (105,905) | -- | (105,905) |
| Change In Net Position | 235,696 | 103,867 | 339,563 |
| <i>Net Position at Beginning of Period</i> | 8,404,814 | -- | 8,404,814 |
| Net Position at End of Period | <u>\$ 8,640,510</u> | <u>\$ 103,867</u> | <u>\$ 8,744,377</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Acme
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

| | Business-type Activities - Enterprise Funds | | |
|--|--|----------------------------------|-----------------------------------|
| | Sewer Fund | Water Fund (Nonmajor) | Total Enterprise Funds |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | \$ 924,308 | \$ 10,095 | \$ 934,403 |
| Cash Payments to Contractors | (375,865) | (10,760) | (386,625) |
| Net Cash Provided (Used) by Operating Activities | 548,443 | (665) | 547,778 |
| Cash Flows from Non-capital and Related Financing Activities | | | |
| Transfer In | - | 1,000 | 1,000 |
| Net Cash Provided by Non-capital and Related Financing Activities | - | 1,000 | 1,000 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Interest Paid on Long-term Debt | (11,648) | - | (11,648) |
| Principal Payments on Long-term Debt | (102,264) | - | (102,264) |
| Purchase of Capital Assets | (1,159,360) | - | (1,159,360) |
| Net Cash Used by Capital and Related Financing Activities | (1,273,272) | - | (1,273,272) |
| Cash Flows from Investing Activities | | | |
| Interest on Investments | 4,401 | - | 4,401 |
| Net Cash Provided by Investing Activities | 4,401 | - | 4,401 |
| Net Increase (Decrease) in Cash and Equivalents | (720,428) | 335 | (720,093) |
| <i>Cash and Equivalents - Beginning of Year</i> | <i>2,738,665</i> | <i>-</i> | <i>2,738,665</i> |
| Cash and Equivalents - End of Year | \$ 2,018,237 | \$ 335 | \$ 2,018,572 |
| Reconciliation of Operating Income (Loss) to | | | |
| Net Cash Provided (Used) by Operating Activities | | | |
| Operating Income (Loss) | \$ 349,023 | \$ (3,038) | \$ 345,985 |
| Adjustments to Reconcile Operating Income to Net Cash | | | |
| Provided by Operating Activities: | | | |
| Depreciation Expense | 241,639 | 3,540 | 245,179 |
| Changes in Assets and Liabilities | | | |
| Due from County | (473) | (1,167) | (1,640) |
| Accounts Payable | (41,746) | - | (41,746) |
| Net Cash Provided (Used) by Operating Activities | \$ 548,443 | \$ (665) | \$ 547,778 |

The Township had a non-cash transfer of \$105,905 from the Sewer Fund to the Water Fund in order to properly allocate capital assets.

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Acme
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

| | <u>Agency</u> | |
|---------------------------------|--------------------|-----------------|
| | <u>Current Tax</u> | <u>Agency</u> |
| ASSETS | | |
| Cash and Investments | \$ 25,410 | \$ 5,600 |
| <i>Total Assets</i> | <u>25,410</u> | <u>5,600</u> |
| LIABILITIES | | |
| Due to Other Governments | 25,410 | 5,600 |
| <i>Total Liabilities</i> | <u>\$ 25,410</u> | <u>\$ 5,600</u> |

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Township of Acme

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Acme, Michigan (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

The Township is located in Grand Traverse County, Michigan, and provides services to its residents in many areas including police and fire protection, community enrichment and development, water and sewer services, recreation and culture, and human services. The Township is a general law township governed by a seven-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer and four trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity*,” these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

The following entities are not included in the Township’s financial statements but do represent an ongoing financial interest or responsibility:

Joint Ventures

Master Sewer Agreement

The Township entered into a master sewer agreement effective July 1, 1987 through June 30, 2041 with the City of Traverse City, the Townships of Peninsula and Garfield in Grand Traverse County, the Township of Elmwood in Leelanau County, and Grand Traverse County. This master sewer agreement defines the allocation of costs and establishes certain rights and responsibilities with respect to the wastewater treatment plant and sewer system. Grand Traverse County is the owner of the treatment plant and the City of Traverse City is the owner of all multi-user facilities. The townships have the option to purchase the facility when certain bonds issued by Grand Traverse County are retired.

The City of Traverse City is the exclusive manager of the plant for the benefit to itself and the townships. As the exclusive manager, the City of Traverse City has the obligation to fully inform and advise townships as to the treatment plant's operation and the townships shall have the right to comment on all matters connected with the administration of the plant.

Township of Acme

Notes to the Financial Statements

Each participant in the joint venture pays an amount sufficient to cover its pro rata share of treatment plant costs. Each participant's pro rata share is determined by its volume of sewage treated in relation to total sewage treated at the plant.

The Township is responsible for debt service on the sewer system debt issues listed in Note 5 as determined biannually based upon the percentage of the Township's flow to the total flow through the treatment plant.

The Township is also responsible for lease payments to the Grand Traverse County Department of Public Works for the Township's portion of the Sewage Treatment Facility costs as listed in Note 5. During the year ended June 30, 2018, the Township paid \$93,252 to payoff sewage treatment plant bonds.

Metro Emergency Services Authority

The Township participates jointly in the operation of the Metro Emergency Services Authority with the charter townships of East Bay and Garfield in Grand Traverse County. The Township paid \$723,015 and \$103,006, to Metro Emergency Services Authority during the year ended June 30, 2018 for fire department and EMS services, respectively.

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Township of Acme

Notes to the 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 fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, state revenue sharing, 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 period. 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. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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 property taxes and state shared revenue.

The ***fire fund*** accounts for the Township's portion of operation of the Metro Emergency Services Authority. Financing is provided by a special property tax levy.

The ***farm land preservation fund*** accounts for the Township's development of farm land. Financing is provided by a property tax levy.

The ***Holiday Hills improvement fund*** accounts for costs of improving roads in holiday hills. Financing is provided by a special assessment and a transportation bond (which will also be repaid with special assessments).

Township of Acme

Notes to the Financial Statements

The ***Bayside Park capital fund*** accounts for costs associated with the Bayside Park capital project. Financing is provided by transfers in from other funds, contributions, and state and local grants.

The Township reports the following major proprietary funds:

The ***sewer fund*** accounts for the results of operations that provide sewer services to residents, financed primarily by a user charge for the provision of those services.

The ***water fund*** accounts for the results of operations that provide water services to residents, financed primarily by a user charge for the provision of those services.

Additionally, the Township reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Agency funds account for the collection and disbursements of taxes and other monies due to other units of government and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1.

Township of Acme

Notes to the Financial Statements

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The Township Supervisor is authorized to make budget transfers to or from any one appropriation category during the fiscal year within dollar limits established by the Township Board. The legal level of budgetary control is at the activity level in the general fund and the functional level for special revenue funds.
5. Formal budgetary integration is employed as a management control device during the year for all funds except agency funds. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended June 30, 2018. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the Township. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

Township of Acme

Notes to the Financial Statements

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer lines, 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 government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are valued at their acquisition value on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized as part of the cost of assets under construction.

Township of Acme

Notes to the Financial Statements

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

| | <u>Years</u> |
|--------------------------------|--------------|
| Road Improvements | 15-20 |
| Water and Sewer Infrastructure | 50 |
| Buildings and Improvements | 40-50 |
| Vehicles | 3-5 |
| Equipment | 3-7 |

Conservation Easements

A conservation easement is a legal agreement between a landowner and a qualified conservation organization that permanently limits a property's use in order to protect its conservation values. Conservation easements, either purchased or donated, are initially valued at their appraised value. The difference between the purchase price and appraised value is reflected as capital grants and contributions in the statement of activities. This value is capitalized as a non-depreciable capital asset as it is recognized as an intangible asset providing value to the residents of the Township.

Deferred Inflows of Resources / Unavailable Revenue

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. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessment receivables for revenues that are not considered to be available to liquidate liabilities of the current period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as a current period expense.

Township of Acme

Notes to the Financial Statements

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences (Paid Time Off)

The Township's policy for compensated absences allows unused time to carry over to the following year at a maximum of 24 hours per year, with a maximum accumulation of 120 hours.

Net Position Flow Assumption

Sometimes the government 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 fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Township of Acme

Notes to the Financial Statements

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board has authorized any two of the following to assign fund balance: the Township Supervisor, Clerk, or Treasurer. The Township Board 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 normally 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.

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township's Board.

The Township intends to maintain a fund balance of 50% of the Township's general fund annual operating expenditures. If a fund balance declines below 50%, it shall be recovered at a rate of 1%, at a minimum, each year.

Revenues and Expenditures / Expenses

Property Tax Revenue Recognition

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2017 tax was levied and collectible on December 1, 2017 and was recognized as revenue in the year ended June 30, 2018, when the proceeds of the levy are budgeted and available for the financing of operations.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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 Acme

Notes to the Financial Statements

Subsequent Events

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through November 5, 2018, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The Township had the following expenditures in excess of the amount appropriated during the year ended June 30, 2018:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------|---------------------|---------------|-----------------|
| General Fund | | | |
| Parks and Recreation | \$ 65,432 | \$ 66,489 | \$ (1,057) |
| Fire Fund | | | |
| Public Safety | 823,260 | 826,021 | (2,761) |

Note 3 - Cash and Investments

The Township maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2018:

| | |
|---|---------------------|
| Statement of Net Position | |
| Cash and Investments | \$ 4,831,778 |
| Statement of Fiduciary Assets and Liabilities | |
| Cash and Investments | <u>31,010</u> |
| Total Deposits and Investments | <u>\$ 4,862,788</u> |
| Deposits and Investments | |
| Checking and Savings Accounts | \$ 4,862,588 |
| Cash on Hand | <u>200</u> |
| Total | <u>\$ 4,862,788</u> |

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$4,399,815 of the Township's

Township of Acme

Notes to the Financial Statements

bank balance of \$4,899,815 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|-------------------|---------------|----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land and Development Rights | \$ 14,952,835 | \$ - | \$ - | \$ 14,952,835 |
| Capital assets being depreciated | | | | |
| Buildings and Improvements | 661,516 | 210,121 | - | 871,637 |
| Vehicles | 97,342 | - | - | 97,342 |
| Equipment | 86,348 | 13,162 | 25,933 | 73,577 |
| Total capital assets being depreciated | 845,206 | 223,283 | 25,933 | 1,042,556 |
| Less accumulated depreciation | | | | |
| Buildings and Improvements | 202,058 | 47,305 | - | 249,363 |
| Vehicles | 67,393 | 6,513 | - | 73,906 |
| Equipment | 82,752 | 2,503 | 25,933 | 59,322 |
| Total accumulated depreciation | 352,203 | 56,321 | 25,933 | 382,591 |
| Total capital assets being depreciated, net | 493,003 | 166,962 | - | 659,965 |
| Total capital assets, net | \$ 15,445,838 | \$ 166,962 | \$ - | \$ 15,612,800 |

Capital asset activity for business-type activities for the year ended June 30, 2018 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|----------------------|-------------------|-------------|---------------------|
| Business-type Activities | | | | |
| Capital assets being depreciated | | | | |
| Sewer System | \$ 12,081,956 | \$ 1,159,360 | \$ - | \$ 13,241,316 |
| Water System | 177,000 | - | - | 177,000 |
| Total capital assets being depreciated | 12,258,956 | 1,159,360 | - | 13,418,316 |
| Less accumulated depreciation | | | | |
| Sewer System | 5,970,825 | 241,639 | - | 6,212,464 |
| Water System | 71,095 | 3,540 | - | 74,635 |
| Total accumulated depreciation | 6,041,920 | 245,179 | - | 6,287,099 |
| Total capital assets, net | \$ 6,217,036 | \$ 914,181 | \$ - | \$ 7,131,217 |

Township of Acme

Notes to the Financial Statements

Depreciation expense was charged to the Township as follows:

| | |
|---------------------------------------|-------------------|
| Governmental Activities | |
| General Government | \$ 6,221 |
| Recreation and Culture | 50,100 |
| Total Governmental Activities | \$ 56,321 |
| Business-type Activities | |
| Sewer | \$ 241,639 |
| Water | 3,540 |
| Total Business-type Activities | \$ 245,179 |

Note 5 - Long-term Debt

Long-term debt at June 30, 2018 was composed of the following individual issues:

General Obligation Limited Tax Bonds (Governmental Activities)

Michigan Transportation Fund Bonds, Series 2015; \$945,000 issued dated July 1, 2015 used to finance road improvement projects within the Holiday Hills Area Subdivision Road Improvement Special Assessment Project with its authority under Act No. 51. Interest is paid semi-annually commencing March 1, 2016 with annual principal payments due September 1. Principal payments range annually from \$30,000 to \$75,000 with interest rates ranging from 0.65% to 3.50%. Maturity is scheduled for September 1, 2030. Payments on this long-term debt will be made entirely from special assessments collected within the Township's Holiday Hills improvement fund.

General Obligation Bonds (Business-type activities)

2011 Traverse City Wastewater Treatment Plant - Upgrade Refunding General Obligation Bond (#334); remaining annual installments of \$137,054 to \$194,853 through April 2022; interest rate of 3.00% to 4.00%.

The above business-type activities contractual obligations to Grand Traverse County (the "County") are the result of the County issuance of bonds on the Township's behalf. The Township has pledged substantially all revenue of the water and sewer fund, net of operating expenses, to repay the obligations; in addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. The Township's portion of County bonds are adjusted annually based on plant flows. Proceeds from the County bonds provided financing for the construction of the sewer facilities and assets. All agreements provide for the Township to use, operate, and maintain the systems, at its own expense, subject to the terms and conditions of the agreement. The remaining principal to be paid on the bonds total \$433,754 as of June 30, 2018.

Township of Acme

Notes to the Financial Statements

Leases Payable

The Grand Traverse County Department of Public Works has entered into various lease agreements with Acme Township to issue bonded debt and to manage the construction and operation of the Septage Treatment Plant joint venture. These agreements generally terminate with the retirement of the related bond issues. Leases payable are reported at an amount equal to the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, members of the joint venture have the option to purchase the facility.

Under the accrual basis of accounting, the leases are classified as sales leases. As a result, a long-term liability is recognized in the accompanying statement of net position.

Assets capitalized under the lease have a cost of \$470,853 and a net book value of \$367,448 as of June 30, 2018.

The following is a summary of long-term debt of the Township:

| | <u>6/30/2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>6/30/2018</u> | <u>Due Within One Year</u> |
|---------------------------------------|---------------------|------------------|-------------------|---------------------|--------------------------------|
| Governmental Activities: | | | | | |
| 2015 Transportation Bonds | \$ 915,000 | \$ - | \$ 50,000 | \$ 865,000 | \$ 55,000 |
| Compensated Absences | 418 | 1,367 | - | 1,785 | - |
| Total Governmental Activities | <u>915,418</u> | <u>1,367</u> | <u>50,000</u> | <u>866,785</u> | <u>55,000</u> |
| Business-type Activities: | | | | | |
| 2011 Refunding Bonds | 527,006 | - | 93,252 | 433,754 | 103,478 |
| Unamortized Bond Premium | 36,908 | - | 7,382 | 29,526 | - |
| Contract Payable | 5,180 | - | 1,630 | 3,550 | 1,739 |
| Total Business-type Activities | <u>569,094</u> | <u>-</u> | <u>102,264</u> | <u>466,830</u> | <u>105,217</u> |
| Total Long-term Debt | <u>\$ 1,484,512</u> | <u>\$ 1,367</u> | <u>\$ 152,264</u> | <u>\$ 1,333,615</u> | <u>\$ 160,217</u> |

Township of Acme

Notes to the Financial Statements

Future debt service maturity payments, excluding bond premiums and compensated absences, at June 30, 2018 were as follows:

| | Governmental Activities | | | Business-type Activities | | |
|-----------|-------------------------|------------|--------------|--------------------------|-----------|------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2019 | \$ 55,000 | \$ 22,286 | \$ 77,286 | \$ 103,478 | \$ 17,194 | \$ 120,672 |
| 2020 | 55,000 | 21,530 | 76,530 | 107,365 | 13,124 | 120,489 |
| 2021 | 55,000 | 20,637 | 75,637 | 109,369 | 8,902 | 118,271 |
| 2022 | 65,000 | 19,489 | 84,489 | 113,542 | 4,528 | 118,070 |
| 2023 | 65,000 | 18,075 | 83,075 | - | - | - |
| 2024-2027 | 275,000 | 55,181 | 330,181 | - | - | - |
| 2028-2031 | 295,000 | 20,667 | 315,667 | - | - | - |
| Total | \$ 865,000 | \$ 177,865 | \$ 1,042,865 | \$ 433,754 | \$ 43,748 | \$ 477,502 |

Note 6 – Interfund Balances and Transfers

The Township had the following interfund balances as of June 30, 2018:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------|------------|
| General Fund | Bayside Park | \$ 185,000 |

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers during the year were as follows:

| Transfer In | Transfer Out | Amount |
|-----------------------------|-----------------------------|------------|
| Bayside Park | General Fund | \$ 100,000 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 9,282 |
| Nonmajor Governmental Funds | General Fund | 3,000 |
| Water Fund | Sewer Fund | 105,905 |
| Water Fund | General Fund | 1,000 |

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Township of Acme

Notes to the Financial Statements

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan through Wells Fargo. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 12 months of employment with a minimum age of 21. As established by the Board of Trustees, the Township contributes 10 percent of employees' gross earnings and employee contributions for each employee. Employer contributions plus interest allocated to the employee's accounts are fully vested upon plan participation.

The current year contribution was calculated on covered payroll of \$257,465, resulting in an employer contribution of \$25,747. Employee contributions were \$7,166 during the year.

Note 8 - Development Rights

Development rights typically are donated through the gift of a conservation easement. The donation of a perpetual conservation easement which preserves the conservation values of a property deemed to be in the public benefit, such as prime agricultural land, scenic views, wetlands, forests, and unique wildlife habitats, is recognized in the Federal Tax Code and may result in substantial income and estate tax benefits to the donor/landowner.

In situations where charitable tax benefits do not provide sufficient incentives, development rights are purchased rather than donated. This is often the case with farmland preservation programs. The amount paid to the landowner is determined by a "before and after" appraisal of the fair market value of the subject land.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League operates its public entity risk pool and group self-insurance program as common risk management and insurance programs for various municipalities throughout the State. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. The plan includes the land use liability coverage, the shoreline park property, and buildings on the park property.

Township of Acme

Notes to the Financial Statements

Note 10 - Commitments and Contingencies

Septage Treatment Facility

The Township is a participant in the Septage Treatment Facility. Being a participant requires the Township to contribute funding to the planning of a new facility. As of June 30, 2018, the total cost of the project has not been estimated and no expenditures have been made.

Grant Programs

The Township participates in state and federally assisted grant programs. The programs are subject to economy and efficiency, and program result audits by the grantors or their representatives. The audits of the programs for, or including, the year ended June 30, 2018 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date.

Note 11 - Fund Balances – Governmental Funds

The Township reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

| | General Fund | Fire Fund | Faerland Preservation | Holiday Hills Improvement | Bayside Park | Nonmajor Funds | Total |
|---|---------------------|------------------|--------------------------|------------------------------|-------------------|-------------------|---------------------|
| Nonspendable: | | | | | | | |
| Long-term Receivable | \$ 121,358 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 121,358 |
| Prepaid Items | 10,672 | - | - | - | - | 198 | 10,870 |
| Total Nonspendable | 132,030 | - | - | - | - | 198 | 132,228 |
| Restricted for: | | | | | | | |
| Faerland Preservation Fund | - | - | 785,521 | - | - | - | 785,521 |
| Public Act 48 Metro Fund | 94 | - | - | - | - | - | 94 |
| Fire Fund | - | 55,686 | - | - | - | - | 55,686 |
| Police Protection Fund | - | - | - | - | - | 81,995 | 81,995 |
| Liquor Fund | - | - | - | - | - | 9,635 | 9,635 |
| Holiday Hills Improvement | - | - | - | 308,297 | - | - | 308,297 |
| Capital Projects | 6,864 | - | - | - | - | - | 6,864 |
| Total Restricted | 6,958 | 55,686 | 785,521 | 308,297 | - | 91,630 | 1,248,092 |
| Committed for: | | | | | | | |
| Self Funded Accts | 388,125 | - | - | - | - | - | 388,125 |
| Cemetery | - | - | - | - | - | 12,874 | 12,874 |
| Shoreline Preservation Fund | - | - | - | - | - | 1,382 | 1,382 |
| Parks | - | - | - | - | - | 15,416 | 15,416 |
| Saylor Park Boat Launch | - | - | - | - | 100,000 | - | 100,000 |
| GTTC Engineer Project Mgmt | 32,000 | - | - | - | - | - | 32,000 |
| Township Hall / Community Center | 30,000 | - | - | - | - | - | 30,000 |
| Septage Plant Bond Buyout | 7,776 | - | - | - | - | - | 7,776 |
| Total Committed | 457,901 | - | - | - | 100,000 | 29,672 | 587,573 |
| Unassigned | 826,498 | - | - | - | - | - | 826,498 |
| Total Fund Balances - Governmental Funds | \$ 1,423,387 | \$ 55,686 | \$ 785,521 | \$ 308,297 | \$ 100,000 | \$ 121,500 | \$ 2,794,391 |

Township of Acme

Notes to the Financial Statements

Note 12 - Related Party Transactions

The Township Treasurer has ownership in an assessing company. During the year ended June 30, 2018, the Township paid this company \$38,497 for services provided.

Required Supplementary Information

Township of Acme
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance Positive (Negative) Final to Actual |
|---|-------------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 340,555 | \$ 340,555 | \$ 344,466 | \$ 3,911 |
| License and Permits | 83,500 | 83,500 | 92,054 | 8,554 |
| Local Contributions | 35,000 | 35,000 | 9,864 | (25,136) |
| State Revenue Sharing | 340,695 | 340,695 | 363,689 | 22,994 |
| Charges for Services | 55,960 | 55,960 | 62,276 | 6,316 |
| Other | 54,500 | 54,500 | 25,413 | (29,087) |
| Interest Income | 2,966 | 2,966 | 3,281 | 315 |
| Total Revenues | <u>913,176</u> | <u>913,176</u> | <u>901,043</u> | <u>(12,133)</u> |
| Other Financing Sources | | | | |
| Transfers In | <u>25,000</u> | <u>25,000</u> | <u>--</u> | <u>(25,000)</u> |
| Total Revenues and Other Financing Sources | <u>938,176</u> | <u>938,176</u> | <u>901,043</u> | <u>(37,133)</u> |
| Expenditures | | | | |
| General Government | | | | |
| Township Board | 189,800 | 189,800 | 142,952 | 46,848 |
| Supervisor | 53,215 | 53,215 | 51,766 | 1,449 |
| Elections | 16,750 | 16,750 | 2,588 | 14,162 |
| Assessing | 56,700 | 56,700 | 52,404 | 4,296 |
| Clerk | 87,533 | 87,533 | 84,210 | 3,323 |
| Board of Review | 955 | 955 | 771 | 184 |
| Treasurer | 74,278 | 74,278 | 73,164 | 1,114 |
| Building and Grounds | 56,450 | 56,450 | 49,859 | 6,591 |
| Other | 15,000 | 15,000 | 14,943 | 57 |
| Total General Government | <u>550,681</u> | <u>550,681</u> | <u>472,657</u> | <u>78,024</u> |
| Public Works | 11,595 | 11,595 | 11,386 | 209 |
| Community and Economic Development | 183,896 | 184,696 | 119,174 | 65,522 |
| Recreation and Culture | | | | |
| Parks and Recreation | 65,432 | 65,432 | 66,489 | (1,057) |
| Capital Outlay | <u>30,000</u> | <u>30,000</u> | <u>13,162</u> | <u>16,838</u> |
| Total Expenditures | <u>841,604</u> | <u>842,404</u> | <u>682,868</u> | <u>159,536</u> |
| Other Financing Uses | | | | |
| Transfers Out | <u>--</u> | <u>104,000</u> | <u>104,000</u> | <u>--</u> |
| Total Expenditures and Other Financing Uses | <u>841,604</u> | <u>946,404</u> | <u>786,868</u> | <u>159,536</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | <u>96,572</u> | <u>(8,228)</u> | <u>114,175</u> | <u>122,403</u> |
| Net Change in Fund Balance | <u>96,572</u> | <u>(8,228)</u> | <u>114,175</u> | <u>122,403</u> |
| Fund Balance at Beginning of Period | <u>1,309,212</u> | <u>1,309,212</u> | <u>1,309,212</u> | <u>--</u> |
| Fund Balance at End of Period | <u>\$ 1,405,784</u> | <u>\$ 1,300,984</u> | <u>\$ 1,423,387</u> | <u>\$ 122,403</u> |

Township of Acme
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Fire Fund
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance Positive (Negative) Final to Actual |
|--|-------------------------|------------------|------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 825,000 | \$ 825,000 | \$ 822,992 | \$ (2,008) |
| Total Revenues | 825,000 | 825,000 | 822,992 | (2,008) |
| Expenditures | | | | |
| Public Safety | 823,260 | 823,260 | 826,021 | (2,761) |
| Total Expenditures | 823,260 | 823,260 | 826,021 | (2,761) |
| Excess (Deficiency) of Revenues Over Expenditures | 1,740 | 1,740 | (3,029) | (4,769) |
| Net Change in Fund Balance | 1,740 | 1,740 | (3,029) | (4,769) |
| Fund Balance at Beginning of Period | 58,715 | 58,715 | 58,715 | -- |
| Fund Balance at End of Period | \$ 60,455 | \$ 60,455 | \$ 55,686 | \$ (4,769) |

Township of Acme
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Farm Land Preservation
For the Year Ended June 30, 2018

| | Budgeted Amounts | | | Variance Positive (Negative) Final to Actual |
|--|-------------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 230,800 | \$ 230,800 | \$ 240,103 | \$ 9,303 |
| Interest Income | 100 | 100 | 1,192 | 1,092 |
| Total Revenues | 230,900 | 230,900 | 241,295 | 10,395 |
| Expenditures | | | | |
| Community and Economic Development | 334,500 | 334,500 | 44,730 | 289,770 |
| Total Expenditures | 334,500 | 334,500 | 44,730 | 289,770 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | (103,600) | (103,600) | 196,565 | 300,165 |
| Net Change in Fund Balance | (103,600) | (103,600) | 196,565 | 300,165 |
| <i>Fund Balance at Beginning of Period</i> | 588,956 | 588,956 | 588,956 | -- |
| Fund Balance at End of Period | \$ 485,356 | \$ 485,356 | \$ 785,521 | \$ 300,165 |

Combining and Individual Fund Statements and Schedules

**Township of Acme
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

| | Special Revenue | | | | | Total Nonmajor Governmental Funds |
|---|-------------------|------------------|-----------------|---------------------------|------------------|---|
| | Police Protection | Cemetery Fund | Liquor Fund | Shoreline Preservation | Park Fund | |
| ASSETS | | | | | | |
| Cash and Investments | \$ 81,995 | \$ 14,074 | \$ 9,635 | \$ 1,382 | \$ 15,416 | \$ 122,502 |
| Prepaid Items | -- | 198 | -- | -- | -- | 198 |
| Total Assets | \$ 81,995 | \$ 14,272 | \$ 9,635 | \$ 1,382 | \$ 15,416 | \$ 122,700 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ -- | \$ 1,200 | \$ -- | \$ -- | \$ -- | \$ 1,200 |
| Total Liabilities | -- | 1,200 | -- | -- | -- | 1,200 |
| FUND BALANCE | | | | | | |
| Nonspendable | -- | 198 | -- | -- | -- | 198 |
| Restricted | 81,995 | -- | 9,635 | -- | -- | 91,630 |
| Committed | -- | 12,874 | -- | 1,382 | 15,416 | 29,672 |
| Unassigned | -- | -- | -- | -- | -- | -- |
| Total Fund Balance | 81,995 | 13,072 | 9,635 | 1,382 | 15,416 | 121,500 |
| Total Liabilities and Fund Balance | \$ 81,995 | \$ 14,272 | \$ 9,635 | \$ 1,382 | \$ 15,416 | \$ 122,700 |

Township of Acme
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

| | Special Revenue | | | | | Capital Projects | Total Nonmajor Governmental Funds |
|---|-------------------|------------------|-----------------|------------------------|------------------|-------------------------|-----------------------------------|
| | Police Protection | Cemetery Fund | Liquor Fund | Shoreline Preservation | Park Fund | Sayler Park Boat Launch | |
| Revenues | | | | | | | |
| Property Taxes | \$ 23,061 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 23,061 |
| License and Permits | -- | -- | 10,115 | -- | -- | -- | 10,115 |
| Local Contributions | -- | -- | -- | -- | 14,893 | -- | 14,893 |
| Charges for Services | -- | 7,700 | -- | -- | -- | -- | 7,700 |
| Interest Income | -- | -- | 2 | 3 | -- | -- | 5 |
| Total Revenues | <u>23,061</u> | <u>7,700</u> | <u>10,117</u> | <u>3</u> | <u>14,893</u> | <u>--</u> | <u>55,774</u> |
| Expenditures | | | | | | | |
| General Government | -- | 8,564 | -- | -- | -- | -- | 8,564 |
| Public Safety | 40,576 | -- | -- | -- | -- | -- | 40,576 |
| Recreation and Culture | -- | -- | -- | -- | 1,019 | -- | 1,019 |
| Total Expenditures | <u>40,576</u> | <u>8,564</u> | <u>--</u> | <u>--</u> | <u>1,019</u> | <u>--</u> | <u>50,159</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(17,515)</u> | <u>(864)</u> | <u>10,117</u> | <u>3</u> | <u>13,874</u> | <u>--</u> | <u>5,615</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 8,600 | 3,000 | -- | -- | 682 | -- | 12,282 |
| Transfers Out | -- | -- | (8,600) | -- | -- | (682) | (9,282) |
| Net Other Financing Sources (Uses) | <u>8,600</u> | <u>3,000</u> | <u>(8,600)</u> | <u>--</u> | <u>682</u> | <u>(682)</u> | <u>3,000</u> |
| Net Change in Fund Balance | <u>(8,915)</u> | <u>2,136</u> | <u>1,517</u> | <u>3</u> | <u>14,556</u> | <u>(682)</u> | <u>8,615</u> |
| <i>Fund Balance at Beginning of Period</i> | 90,910 | 10,936 | 8,118 | 1,379 | 860 | 682 | 112,885 |
| Fund Balance at End of Period | <u>\$ 81,995</u> | <u>\$ 13,072</u> | <u>\$ 9,635</u> | <u>\$ 1,382</u> | <u>\$ 15,416</u> | <u>\$ --</u> | <u>\$ 121,500</u> |

November 5, 2018

To the Township Board
Township of Acme, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Acme (the "Township") for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 28, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township's financial statements was:

Management's estimate of the useful lives of depreciable capital assets which is based on the length of time it is believed those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the estimate and have determined that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the applicable opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issue

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion & analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness:

Financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The Township's Response to Findings

We did not audit the Township's response to the internal control findings described above and, accordingly, we express no opinion on it.

Restriction on Use

This information is intended solely for the information and use of the Township Board and management of the Township and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan