

**TOWNSHIP OF ACME, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Acme, Michigan  
Williamsburg, MI 49690

### ***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, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township as of June 30, 2017, 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 cursive script that reads "Gabridge & Company". The signature is written in dark ink and has a fluid, connected style.

Gabridge & Company, PLC  
Grand Rapids, Michigan  
October 20, 2017

## **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, 2017. 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 \$26,049,264 (net position). Of this amount, \$3,890,484 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 \$2,372,611, an increase of \$48,647 in comparison with the prior year. Approximately 18.7% of this amount (\$444,354) 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 \$444,354, or approximately 47.7% 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.

The government-wide financial statements can be found as listed in the table of contents.

**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 ten 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 Sayler Park boat launch funds, which are considered to be major funds. Data from the other eight 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 is considered to be a major fund of the Township.

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

**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.

The fiduciary fund financial statement can be found as listed in the table of contents.

**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.

The notes to the financial statements can be found as listed in the table of contents.

**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.

Required supplementary information can be found as listed in the table of contents.

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.

Combining and individual fund statements and schedules can be found as listed in the table of contents.

## 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 \$26,049,264 at the close of the most recent fiscal year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash & Equivalents	\$ 2,201,295	\$ 2,152,805	\$ 2,738,665	\$ 2,278,300	\$ 4,939,960	\$ 4,431,105
Accounts Receivable	767,591	828,519	75,346	151,696	842,937	980,215
Prepaid Items	15,933	14,360	-	-	15,933	14,360
Due from County	128,288	133,056	-	-	128,288	133,056
Due from State	58,549	60,057	-	-	58,549	60,057
<b>Total Current Assets</b>	<b>3,171,656</b>	<b>3,188,797</b>	<b>2,814,011</b>	<b>2,429,996</b>	<b>5,985,667</b>	<b>5,618,793</b>
<i>Noncurrent Assets</i>						
Non-depreciable Capital Assets	14,952,835	14,952,835	-	-	14,952,835	14,952,835
Depreciable Capital Assets, Net	493,003	98,766	6,217,036	6,462,215	6,710,039	6,560,981
<b>Total Assets</b>	<b>18,617,494</b>	<b>18,240,398</b>	<b>9,031,047</b>	<b>8,892,211</b>	<b>27,648,541</b>	<b>27,132,609</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	38,405	45,355	54,118	91,466	92,523	136,821
Accrued Liabilities	15,412	12,958	-	-	15,412	12,958
Accrued Interest	3,809	3,879	3,021	3,754	6,830	7,633
Current Portion of Long-term Debt	50,000	30,000	98,718	86,092	148,718	116,092
<b>Total Current Liabilities</b>	<b>107,626</b>	<b>92,192</b>	<b>155,857</b>	<b>181,312</b>	<b>263,483</b>	<b>273,504</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	418	2,876	-	-	418	2,876
Long-term Debt	865,000	915,000	470,376	518,854	1,335,376	1,433,854
<b>Total Liabilities</b>	<b>973,044</b>	<b>1,010,068</b>	<b>626,233</b>	<b>700,166</b>	<b>1,599,277</b>	<b>1,710,234</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	15,445,838	15,051,601	5,647,942	5,857,269	21,093,780	20,908,870
Restricted	1,065,000	868,683	-	-	1,065,000	868,683
Unrestricted	1,133,612	1,310,046	2,756,872	2,334,776	3,890,484	3,644,822
<b>Total Net Position</b>	<b>\$ 17,644,450</b>	<b>\$ 17,230,330</b>	<b>\$ 8,404,814</b>	<b>\$ 8,192,045</b>	<b>\$ 26,049,264</b>	<b>\$ 25,422,375</b>

By far, the largest portion of the Township's net position (\$21,093,780, or 81.0%) 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 (\$1,065,000, or 4.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,890,484, or 14.9%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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 \$626,889 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

The Township is reporting three significant changes in assets and liabilities as of June 30, 2017 when compared to the prior year. First, cash increased from \$4,431,105 as of June 30, 2016 to \$4,939,960 as of June 30, 2017. This is largely attributable to the combined increase in net position of both governmental and business-type activities during the year of \$618,052. Second, accounts receivable decreased by \$137,278 as of year-end primarily as a result of Grand Traverse County paying the Township its share of charges for water and sewer services one month earlier than June 30, 2016. And thirdly, long-term capital assets increased by \$149,058 largely as a result of capital assets additions relating to the Sayler boat launch completed during the year.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$414,120 from the prior fiscal year for an ending balance of \$17,644,450

Charges for services decreased from \$1,115,353 during the year ended June 30, 2016 to \$185,984 during the year ended June 30, 2017. This is largely the result of recognizing special assessment revenues received during 2016 by the Township to finance road improvements within Holiday Hills. Operating grants decreased from \$281,026 during the year ended June 30, 2016 to \$45,993 for the year ended June 30, 2017; this decrease is due largely to a prior year \$250,000 one-time contribution from the Grand Traverse County Road Commission for the Holiday Hills Improvement road improvement project.

General government expenses stayed relatively consistent with the prior year. Public works expenses decreased by approximately \$1,106,996 during the year as a result of road improvements (mentioned above related to the special assessments and contributions from the Road Commission). Recreation and culture expenses decreased by \$168,565 during the year as a result of the boat launch project expenses and additional repairs and maintenance that were incurred by the Township during 2016.

**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 \$212,769, increasing overall net position to \$8,404,814. Charges for services decreased by \$461,958 compared to 2016. The primary reason for decreased revenues is that 2016 had construction resulting in new users of the system, including significant new revenues related to the Meijer store construction and connection to the system.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenue</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 185,984	\$ 1,115,353	\$ 958,556	\$ 1,420,514	\$ 1,144,540	\$ 2,535,867
Operating Grants & Contributions	45,993	281,026	-	-	45,993	281,026
Capital Grants & Contributions	226,776	36,854	-	-	226,776	36,854
<b>Total Program Revenues</b>	<b>458,753</b>	<b>1,433,233</b>	<b>958,556</b>	<b>1,420,514</b>	<b>1,417,309</b>	<b>2,853,747</b>
<b>General Revenues</b>						
Property Taxes	1,373,228	1,344,328	-	-	1,373,228	1,344,328
State Revenue Sharing	351,912	327,873	-	-	351,912	327,873
Other	-	3,886	-	-	-	3,886
Interest Income	5,119	2,470	9,977	8,508	15,096	10,978
<b>Total General Revenues</b>	<b>1,730,259</b>	<b>1,678,557</b>	<b>9,977</b>	<b>8,508</b>	<b>1,740,236</b>	<b>1,687,065</b>
<b>Total Revenues</b>	<b>2,189,012</b>	<b>3,111,790</b>	<b>968,533</b>	<b>1,429,022</b>	<b>3,157,545</b>	<b>4,540,812</b>
<b>Expenses</b>						
General Government	507,707	529,678	-	-	507,707	529,678
Public Safety	876,534	830,786	-	-	876,534	830,786
Public Works	49,354	1,156,350	-	-	49,354	1,156,350
Community & Economic Development	166,561	195,324	-	-	166,561	195,324
Recreation & Culture	131,651	300,216	-	-	131,651	300,216
Water & Sewer	-	-	775,909	740,838	775,909	740,838
Interest on Long-term Debt	22,940	18,085	-	-	22,940	18,085
<b>Total Expenses</b>	<b>1,754,747</b>	<b>3,030,439</b>	<b>775,909</b>	<b>740,838</b>	<b>2,530,656</b>	<b>3,771,277</b>
<b>Change in Net Position Before Transfers</b>	<b>434,265</b>	<b>81,351</b>	<b>192,624</b>	<b>688,184</b>	<b>626,889</b>	<b>769,535</b>
Transfers	(20,145)	-	20,145	-	-	-
<b>Change in Net Position</b>	<b>414,120</b>	<b>81,351</b>	<b>212,769</b>	<b>688,184</b>	<b>626,889</b>	<b>769,535</b>
<i>Net Position at Beginning of Period</i>	<i>17,230,330</i>	<i>17,148,979</i>	<i>8,192,045</i>	<i>7,503,861</i>	<i>25,422,375</i>	<i>24,652,840</i>
<b>Net Position at End of Period</b>	<b>\$ 17,644,450</b>	<b>\$ 17,230,330</b>	<b>\$ 8,404,814</b>	<b>\$ 8,192,045</b>	<b>\$ 26,049,264</b>	<b>\$ 25,422,375</b>

## 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, 2017, the Township's governmental funds reported combined fund balances of \$2,372,611, an increase of \$48,647 in comparison with the prior year. Approximately 18.7% of this amount (\$444,354) 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 (\$1,065,000), 2) not in a spendable form (\$144,221), or 3) committed for particular purposes (\$719,036).

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 \$444,354, while total fund balance decreased to \$1,309,212. 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 47.7% of total general fund expenditures and transfers out, while total fund balance represents approximately 140.4% percent of that same amount.

The fund balance of the Township's general fund decreased by \$15,865 during the current fiscal year which put the overall fund balance at \$1,309,212.

The fire fund, a major fund, had a \$26,223 increase in fund balance during the current fiscal year which put the overall fund balance at \$58,715. This increase in fund balance is related to the increased transfers in from the general fund to subsidize its operations.

The farm land preservation fund, a major fund, had a \$195,668 increase in fund balance during the current fiscal year which put the overall fund balance at \$588,956. 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 an \$27,693 increase in fund balance during the current fiscal year which put the overall fund balance at \$302,843. This increase is a result of the Township receiving assessments of \$80,703 during the year while incurring \$53,010 of debt service expenditures. The entire fund balance of \$275,150 is restricted, and will be expended on future road improvements and debt service payments on the 2015 transportation bond.

The Sayler Park boat launch fund, a major fund, had a \$114,199 decrease in fund balance during the current fiscal year which put the overall fund balance at \$682. This decrease in fund balance is related to expenditures for the Sayler boat launch capital improvement project.

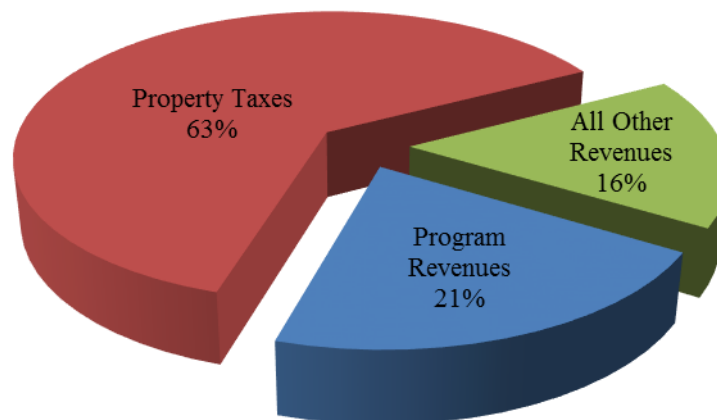
***Proprietary Funds.*** The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water & sewer fund at the end of the year was \$2,756,872. The increase in net position for the fund was \$212,769.

## Governmental Activities

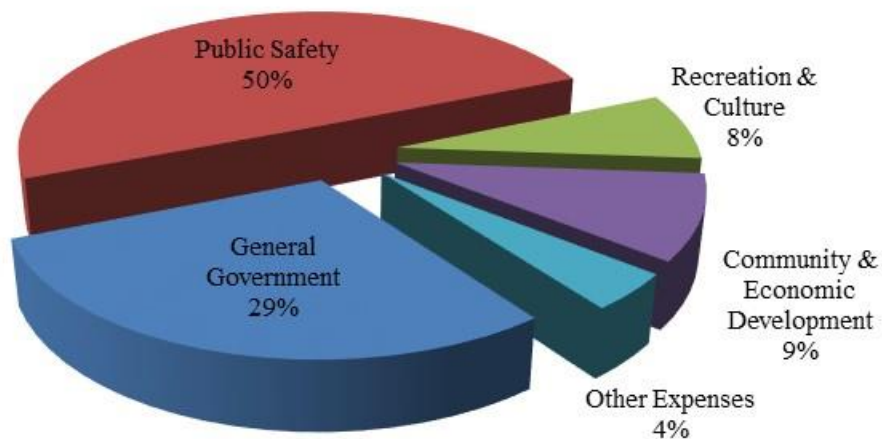
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

### 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.* During the year there was a need for a significant budget amendment to increase the original estimated budgeted appropriations in its general fund in the public works department. This increased budgeted expenditure was offset with a decrease in budgeted contingency expenditures.

*Final budget compared to actual results.* During the current fiscal year the Township had no significant expenditures in excess of appropriations in the general fund.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

At June 30, 2017, the Township had \$21,662,874 invested in capital assets. The following table represents the Townships investment in capital assets:

#### **Township of Acme Capital Assets as of June 30, 2017**

Land & Development Rights	\$ 14,952,835
Equipment	3,596
Building & Improvements	459,458
Vehicles	29,949
Water & Sewer System	6,217,036
<b><i>Net Capital Assets</i></b>	<b><u>\$ 21,662,874</u></b>

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 \$1,484,094, exclusive of compensated absences. The Township continued to pay down its debt, retiring \$65,852 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, 2017.

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 \$930,000 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 2017. 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 2017, 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, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash & Cash Equivalents	\$ 2,201,295	\$ 2,738,665	\$ 4,939,960
Due from County	128,288	--	128,288
Accounts Receivable	71,709	75,346	147,055
Special Assessments Receivable	695,882	--	695,882
Due from State	58,549	--	58,549
Prepaid Items	15,933	--	15,933
<b>Total Current Assets</b>	<b>3,171,656</b>	<b>2,814,011</b>	<b>5,985,667</b>
<i>Noncurrent Assets</i>			
Non-depreciable Capital Assets	14,952,835	--	14,952,835
Depreciable Capital Assets (net)	493,003	6,217,036	6,710,039
<b>Total Assets</b>	<b>18,617,494</b>	<b>9,031,047</b>	<b>27,648,541</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	38,405	54,118	92,523
Accrued Payroll & Related Liabilities	15,412	--	15,412
Accrued Interest	3,809	3,021	6,830
Current Portion of Long-term Debt	50,000	97,160	147,160
Current Portion of Contract Payable	--	1,558	1,558
<b>Total Current Liabilities</b>	<b>107,626</b>	<b>155,857</b>	<b>263,483</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	865,000	466,754	1,331,754
Compensated Absences	418	--	418
Contract Payable	--	3,622	3,622
<b>Total Liabilities</b>	<b>973,044</b>	<b>626,233</b>	<b>1,599,277</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	15,445,838	5,647,942	21,093,780
<i>Restricted for:</i>			
Public Safety	157,743	--	157,743
Capital Projects	309,707	--	309,707
Other Functions	597,550	--	597,550
<i>Unrestricted</i>	1,133,612	2,756,872	3,890,484
<b>Total Net Position</b>	<b>\$ 17,644,450</b>	<b>\$ 8,404,814</b>	<b>\$ 26,049,264</b>

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, 2017**

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
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General Government	\$ 507,707	\$ 122,797	\$ 19,208	\$ --	\$ (365,702)	\$ --	\$ (365,702)
Public Safety	876,534	--	9,585	--	(866,949)	--	(866,949)
Public Works	49,354	26,326	--	--	(23,028)	--	(23,028)
Recreation & Culture	131,651	230	17,200	226,776	112,555	--	112,555
Debt Service - Interest	22,940	--	--	--	(22,940)	--	(22,940)
Community & Economic Development	166,561	36,631	--	--	(129,930)	--	(129,930)
<b>Total Governmental Activities</b>	<b>1,754,747</b>	<b>185,984</b>	<b>45,993</b>	<b>226,776</b>	<b>(1,295,994)</b>	<b>--</b>	<b>(1,295,994)</b>
<b>Business-type Activities:</b>							
Water & Sewer	775,909	958,556	--	--	--	182,647	182,647
<b>Total Business-type Activities</b>	<b>775,909</b>	<b>958,556</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>182,647</b>	<b>182,647</b>
<b>Total Primary Government</b>	<b>\$ 2,530,656</b>	<b>\$ 1,144,540</b>	<b>\$ 45,993</b>	<b>\$ 226,776</b>	<b>\$ (1,295,994)</b>	<b>\$ 182,647</b>	<b>\$ (1,113,347)</b>
<b>General Purpose Revenues and Transfers:</b>							
<b>Revenues</b>							
State Revenue Sharing					351,912	--	351,912
Interest Income					5,119	9,977	15,096
Property Taxes					1,373,228	--	1,373,228
<b>Transfers</b>					(20,145)	20,145	--
<b>Total General Revenues and Transfers</b>					<b>1,710,114</b>	<b>30,122</b>	<b>1,740,236</b>
<b>Change in Net Position</b>					<b>414,120</b>	<b>212,769</b>	<b>626,889</b>
<i>Net Position at Beginning of Period</i>					17,230,330	8,192,045	25,422,375
<b>Net Position at End of Period</b>					<b>\$ 17,644,450</b>	<b>\$ 8,404,814</b>	<b>\$ 26,049,264</b>

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

**Township of Acme  
Balance Sheet  
Governmental Funds  
June 30, 2017**

		Special Revenue			Capital Projects		
	General	Fire Fund	Farm Land Preservation	Holiday Hills Improvement	Sayler Park Boat Launch	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash & Cash Equivalents	\$ 1,130,116	\$ 58,715	\$ 588,956	\$ 302,843	\$ 682	\$ 119,983	\$ 2,201,295
Due from County	128,288	--	--	--	--	--	128,288
Accounts Receivable	71,709	--	--	--	--	--	71,709
Special Assessments Receivable	--	--	--	695,882	--	--	695,882
Due from State	58,549	--	--	--	--	--	58,549
Prepaid Items	15,933	--	--	--	--	--	15,933
<i>Total Assets</i>	<u>\$ 1,404,595</u>	<u>\$ 58,715</u>	<u>\$ 588,956</u>	<u>\$ 998,725</u>	<u>\$ 682</u>	<u>\$ 119,983</u>	<u>\$ 3,171,656</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 30,625	\$ --	\$ --	\$ --	\$ --	\$ 7,780	\$ 38,405
Accrued Payroll & Related Liabilities	15,412	--	--	--	--	--	15,412
<i>Total Liabilities</i>	46,037	--	--	--	--	7,780	53,817
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	49,346	--	--	695,882	--	--	745,228
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>95,383</u>	<u>--</u>	<u>--</u>	<u>695,882</u>	<u>--</u>	<u>7,780</u>	<u>799,045</u>
<b>FUND BALANCE</b>							
Nonspendable	144,221	--	--	--	--	--	144,221
Restricted	15,458	58,715	588,956	302,843	--	99,028	1,065,000
Committed	705,179	--	--	--	682	13,175	719,036
Unassigned	444,354	--	--	--	--	--	444,354
<i>Total Fund Balance</i>	<u>1,309,212</u>	<u>58,715</u>	<u>588,956</u>	<u>302,843</u>	<u>682</u>	<u>112,203</u>	<u>2,372,611</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,404,595</u>	<u>\$ 58,715</u>	<u>\$ 588,956</u>	<u>\$ 998,725</u>	<u>\$ 682</u>	<u>\$ 119,983</u>	<u>\$ 3,171,656</u>

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, 2017**

Total Fund Balance - Governmental Funds	\$ 2,372,611
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	(3,809)
General government capital assets of \$15,798,041, net of accumulated depreciation of \$352,203, are not financial resources and accordingly are not reported in the funds.	15,445,838
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This amount represents long-term debt of \$915,000.	(915,000)
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.	745,228
Compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(418)
<b>Total Net Position-Governmental Funds</b>	<b>\$ <u>17,644,450</u></b>

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, 2017**

	Special Revenue				Capital Projects	Other	Total
	General	Fire Fund	Farm Land Preservation	Holiday Hills Improvement	Sayler Park Boat Launch	Governmental Funds	Governmental Funds
<b>Revenues</b>							
Property Taxes	\$ 339,709	\$ 755,951	\$ 232,673	\$ --	\$ --	\$ 44,895	\$ 1,373,228
Special Assessments	--	--	--	80,703	--	--	80,703
License & Permits	90,452	--	--	--	--	9,585	100,037
Local Contributions	19,208	--	--	--	--	707	19,915
Grants	16,393	--	--	--	226,776	--	243,169
State Revenue Sharing	351,912	--	--	--	--	--	351,912
Charges for Services	37,155	--	--	--	--	10,000	47,155
Other	28,966	--	--	--	100	--	29,066
Interest Income	4,619	--	495	--	--	5	5,119
<b>Total Revenues</b>	<b>888,414</b>	<b>755,951</b>	<b>233,168</b>	<b>80,703</b>	<b>226,876</b>	<b>65,192</b>	<b>2,250,304</b>
<b>Expenditures</b>							
General Government	494,374	--	--	--	--	8,471	502,845
Public Safety	--	813,227	--	--	--	63,307	876,534
Public Works	49,354	--	--	--	--	--	49,354
Community & Economic Development	129,061	--	37,500	--	--	--	166,561
Recreation & Culture	100,846	--	--	--	--	4,047	104,893
Capital Outlay	--	--	--	--	363,075	65,240	428,315
Debt Service - Principal	--	--	--	30,000	--	--	30,000
Debt Service - Interest	--	--	--	23,010	--	--	23,010
<b>Total Expenditures</b>	<b>773,635</b>	<b>813,227</b>	<b>37,500</b>	<b>53,010</b>	<b>363,075</b>	<b>141,065</b>	<b>2,181,512</b>
<b>Excess of Revenues Over</b>							
<b>(Under) Expenditures</b>	<b>114,779</b>	<b>(57,276)</b>	<b>195,668</b>	<b>27,693</b>	<b>(136,199)</b>	<b>(75,873)</b>	<b>68,792</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	28,000	83,499	--	--	50,000	13,600	175,099
Transfers Out	(158,644)	--	--	--	(28,000)	(8,600)	(195,244)
<b>Net Other Financing Sources (Uses)</b>	<b>(130,644)</b>	<b>83,499</b>	<b>--</b>	<b>--</b>	<b>22,000</b>	<b>5,000</b>	<b>(20,145)</b>
<b>Net Change in Fund Balance</b>	<b>(15,865)</b>	<b>26,223</b>	<b>195,668</b>	<b>27,693</b>	<b>(114,199)</b>	<b>(70,873)</b>	<b>48,647</b>
<i>Fund Balance at Beginning of Period</i>	<i>1,325,077</i>	<i>32,492</i>	<i>393,288</i>	<i>275,150</i>	<i>114,881</i>	<i>183,076</i>	<i>2,323,964</i>
<b>Fund Balance at End of Period</b>	<b>\$ 1,309,212</b>	<b>\$ 58,715</b>	<b>\$ 588,956</b>	<b>\$ 302,843</b>	<b>\$ 682</b>	<b>\$ 112,203</b>	<b>\$ 2,372,611</b>

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, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$ 48,647
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.	70
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 \$428,315 is in excess of Depreciation expense of \$34,078.	394,237
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	30,000
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.	(61,292)
Changes to compensated absences are not shown in the fund financial statements. The net effect of the current year is to decrease net position.	2,458
<b>Changes in Net Position-Governmental Funds</b>	<b>\$ <u>414,120</u></b>

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

**Township of Acme  
Statement of Net Position  
Proprietary Fund  
June 30, 2017**

	<b><u>Business-type Activities - Enterprise Fund</u></b>
	<b><u>Water &amp; Sewer</u></b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 2,738,665
Accounts Receivable	75,346
<b><i>Total Current Assets</i></b>	<b><u>2,814,011</u></b>
<i>Noncurrent Assets</i>	
Depreciable Capital Assets (net)	6,217,036
<b><i>Total Assets</i></b>	<b><u>9,031,047</u></b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	54,118
Accrued Interest	3,021
Current Portion of Long-term Debt	97,160
Current Portion of Contract Payable	1,558
<b><i>Total Current Liabilities</i></b>	<b><u>155,857</u></b>
<i>Noncurrent Liabilities</i>	
Long-term Debt	466,754
Contract Payable	3,622
<b><i>Total Liabilities</i></b>	<b><u>626,233</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,647,942
Unrestricted	2,756,872
<b><i>Total Net Position</i></b>	<b><u>\$ 8,404,814</u></b>

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 Fund**  
**For the Year Ended June 30, 2017**

	<u><b>Business-type Activities - Enterprise Fund</b></u>
	<u><b>Water &amp; Sewer</b></u>
<b>Operating Revenues</b>	
Charges for Services	\$ 958,556
<b><i>Total Operating Revenues</i></b>	<u>958,556</u>
<b>Operating Expenses</b>	
Contractual Services	491,621
Depreciation	245,179
<b><i>Total Operating Expenses</i></b>	<u>736,800</u>
<b><i>Operating Income (Loss)</i></b>	<u>221,756</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Expense	(39,109)
Interest Income	9,977
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<u>( 29,132 )</u>
<b><i>Income Before Contributions and Transfers</i></b>	192,624
Transfers In	20,145
<b><i>Change In Net Position</i></b>	<u><b>212,769</b></u>
<b><i>Net Position at Beginning of Period</i></b>	8,192,045
<b><i>Net Position at End of Period</i></b>	<u><b>\$ 8,404,814</b></u>

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

**Township of Acme  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2017**

	<b><u>Business-type Activities - Enterprise Fund</u></b>
	<b><u>Water &amp; Sewer</u></b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 1,034,906
Cash Payments to Contractors	(528,969)
<b><i>Total Cash Flows from Operating Activities</i></b>	<b><u>505,937</u></b>
<b>Cash Flows from Non-capital and Related Financing Activities</b>	
Increase (Decrease) from Transfer In	20,145
<b><i>Total Cash Flows from Non-capital and Related Financing Activities</i></b>	<b><u>20,145</u></b>
<b>Cash Flows from (used by) Capital and Related Financing Activities</b>	
Interest Paid	(39,842)
Principal Payments on Long-term Debt	(86,092)
Additional Debt Assumed for Additional Operating Capacity	57,622
<b><i>Total Cash Flows from (used by) Capital and Related Financing Activities</i></b>	<b><u>(68,312)</u></b>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	2,595
<b><i>Total Cash Flows from Investing Activities</i></b>	<b><u>2,595</u></b>
<b><i>Net Increase in Cash and Equivalents</i></b>	<b>460,365</b>
<b><i>Cash and Equivalents - Beginning of Year</i></b>	<b><u>2,278,300</u></b>
<b><i>Cash and Equivalents - End of Year</i></b>	<b><u>\$ 2,738,665</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
<b>Operating Income</b>	<b>\$ 221,756</b>
Adjustments to Reconcile Operating Income to Net Cash	
<b>Provided by Operating Activities</b>	
Depreciation Expense	245,179
<b>Changes in Assets &amp; Liabilities</b>	
Receivables	76,350
Accounts Payable	(37,348)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 505,937</u></b>

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

**Township of Acme  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017**

	<u>Agency</u>	
	<u>Current Tax</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 28,968	\$ 8,800
<i><b>Total Assets</b></i>	<u>28,968</u>	<u>8,800</u>
<b>LIABILITIES</b>		
Due to Other Governments	28,968	8,800
<i><b>Total Liabilities</b></i>	<u>\$ 28,968</u>	<u>\$ 8,800</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**

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#### **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**

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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. In the year ended June 30, 2017, the Township paid \$84,534 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 \$719,954 and \$93,273, to Metro Emergency Services Authority during the year ended June 30, 2017 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

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#### ***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

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The *Sayler Park boat launch fund* accounts for the Sayler Park boat launch capital project. Financing is provided by transfers in from other funds, contributions, and state and local grants.

The Township reports the following major proprietary fund:

The *water & sewer fund* accounts for the results of operations that provide water and sewer 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 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.
2. Public hearings are conducted to obtain taxpayer comments.



## **Township of Acme**

### **Notes to the Financial Statements**

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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, 2017. 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. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

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

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- Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### ***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 estimated fair 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.

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:

<b>Description</b>	<b>Years</b>
Road Improvements	15-20
Water & Sewer Infrastructure	50
Buildings & Building Improvements	40-50
Vehicles	3-5
Equipment	3-7

## **Township of Acme**

### **Notes to the Financial Statements**

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#### ***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.

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.

## Township of Acme

### Notes to the Financial Statements

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#### ***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).

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

## **Township of Acme**

### **Notes to the Financial Statements**

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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 2016 tax was levied and collectible on December 1, 2016 and was recognized as revenue in the year ended June 30, 2017, 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.

#### ***Subsequent Events***

The Township has evaluated subsequent events and transactions for potential recognition and disclosure through October 20, 2017, 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.

## Township of Acme

### Notes to the Financial Statements

The Township had no significant expenditures in excess of appropriations during the current year.

#### **Note 3 - Cash and Investments**

A reconciliation of cash & cash equivalents to the Township's deposits and investments, as shown in the government-wide financial statements and in the statement of fiduciary net position, is as follows:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
<b>Statement of Net Position</b>				
Cash & Cash Equivalents	\$ 2,201,295	\$ 2,738,665	\$ 37,768	\$ 4,977,728

#### ***Deposits***

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

#### ***Custodial Credit Risk***

In the event of bank failure, the Township's uninsured deposits may not be returned to it. As of June 30, 2017, \$4,252,770 of the Township's \$5,002,770 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township held no investments as of June 30, 2017.

# Township of Acme

## Notes to the Financial Statements

### Note 4 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

<b>Governmental Activities</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
<b>Capital assets not being depreciated</b>				
Land & Development Rights	\$ 14,952,835	\$ -	\$ -	\$ 14,952,835
<b>Capital assets being depreciated</b>				
Buildings & Improvements	233,201	428,315	-	661,516
Vehicles	97,342	-	-	97,342
Equipment	95,232	-	8,884	86,348
<b>Total capital assets being depreciated</b>	<u>425,775</u>	<u>428,315</u>	<u>8,884</u>	<u>845,206</u>
<b>Less accumulated depreciation</b>				
Buildings & Improvements	175,740	26,318	-	202,058
Vehicles	60,881	6,512	-	67,393
Equipment	90,388	1,248	8,884	82,752
<b>Total accumulated depreciation</b>	<u>327,009</u>	<u>34,078</u>	<u>8,884</u>	<u>352,203</u>
<b>Total capital assets, net</b>	<u>\$ 15,051,601</u>	<u>\$ 394,237</u>	<u>\$ -</u>	<u>\$ 15,445,838</u>

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

<b>Business-type Activities</b>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
<b>Capital assets being depreciated</b>				
Water & Sewer System	\$ 12,258,956	\$ -	\$ -	\$ 12,258,956
<b>Less accumulated depreciation</b>				
Water & Sewer System	5,796,741	245,179	-	6,041,920
<b>Total capital assets, net</b>	<u>\$ 6,462,215</u>	<u>\$ 245,179</u>	<u>\$ -</u>	<u>\$ 6,217,036</u>

Depreciation expense was charged to the Township as follows:

<b>Governmental Activities</b>	
General Government	\$ 5,396
Recreation & Culture	28,682
<b>Total Governmental Activities</b>	<u>\$ 34,078</u>
<b>Business-type Activities</b>	
Water & Sewer	<u>\$ 245,179</u>

## Township of Acme

### Notes to the Financial Statements

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#### **Note 5 - Long-term Debt**

Long-term debt at June 30, 2017 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 \$527,006 as of June 30, 2017. During the current year, net revenues of the system were \$958,556 compared to the annual debt requirements of \$125,934.

##### ***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.



## Township of Acme

### Notes to the Financial Statements

Assets capitalized under the lease have a cost of \$470,853 and a net book value of \$376,865 as of June 30, 2017.

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

	6/30/2016	Additions	Reductions	6/30/2017	Due Within One Year
<b>Governmental Activities:</b>					
2015 Transportation Bonds	\$ 945,000	\$ -	\$ 30,000	\$ 915,000	\$ 50,000
Compensated Absences	2,876	-	2,458	418	-
<b>Total Governmental Activities</b>	<u>947,876</u>	<u>-</u>	<u>32,458</u>	<u>915,418</u>	<u>50,000</u>
	947,876				
<b>Business-type Activities:</b>					
2011 Refunding Bonds	553,918	57,622	84,534	527,006	97,160
Unamortized Bond Premium	44,290	-	7,382	36,908	-
Contract Payable	6,738	-	1,558	5,180	1,558
<b>Total Business-type Activities</b>	<u>604,946</u>	<u>57,622</u>	<u>93,474</u>	<u>569,094</u>	<u>98,718</u>
	604,946	57,622	93,474	569,094	98,718
<b>Total Long-term Debt</b>	<u>\$ 1,552,822</u>	<u>\$ 57,622</u>	<u>\$ 125,932</u>	<u>\$ 1,484,512</u>	<u>\$ 148,718</u>

Future debt service maturity payments, excluding bond premiums and compensated absences, at June 30, 2017 were as follows:

	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 50,000	\$ 22,855	\$ 72,855	\$ 98,790	\$ 21,080	\$ 119,870
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	113,184	4,528	117,712
2023-2026	340,000	73,256	413,256	-	-	-
2027-2031	295,000	20,667	315,667	-	-	-
Total	<u>\$ 915,000</u>	<u>\$ 200,720</u>	<u>\$ 1,115,720</u>	<u>\$ 532,186</u>	<u>\$ 64,828</u>	<u>\$ 597,014</u>

### ***Advance Refunding***

During the year ended June 30, 2012, the County issued general obligation City of Traverse City Treatment Plan Series 2011 bonds of \$20,385,000 (par value) with interest rates ranging from 3.00% to 4.00% to advance refund \$21,300,000 of the County Series 2002 bonds. The remaining Series 2002 bonds mature in fiscal years 2014 through 2022 in the amount of \$19,750,000 with interest rates of 4.10% to 5.00%. Acme Township's portion of the remaining maturities is \$527,006 as of June 30, 2017.

## Township of Acme

### Notes to the Financial Statements

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#### Note 6 - Interfund Transfers

Interfund transfers during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Sayler Park	\$ 28,000
Fire Fund	General Fund	83,499
Nonmajor Governmental Funds	Nonmajor Governmental Funds	8,600
Nonmajor Governmental Funds	General Fund	5,000
Sayler Park Boat Launch	General Fund	50,000
Water & Sewer	General Fund	20,145

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.

#### 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 account are fully vested after four years of service.

The current year contribution was calculated on covered payroll of \$272,300, resulting in an employer contribution of \$27,230. No contributions from employees are required.

#### 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.

## **Township of Acme**

### **Notes to the Financial Statements**

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#### **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. The coverage under the current Michigan Municipal League policy, which covers all risks under the same policy-wide limit, is \$5 million.

#### **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, 2017, 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, 2017 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date.

#### **Note 11 - Related Party Transactions**

The Township Treasurer owns an assessing company called A&D Assessing. During the year ended June 30, 2017, the Township paid this company \$40,800 for services provided.

## Township of Acme

### Notes to the Financial Statements

#### Note 12 - 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	Farmland Preservation	Holiday Hills Improvement	Saylor Park Boat Launch	Nonmajor Funds	Total
Nonspendable:							
Long-term Receivable	\$ 128,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,288
Prepaid Items	15,933	-	-	-	-	-	15,933
Total Nonspendable	144,221	-	-	-	-	-	144,221
Restricted for:							
Farmland Preservation Fund	-	-	588,956	-	-	-	588,956
Public Act 48 Metro Fund	8,594	-	-	-	-	-	8,594
Fire Fund	-	58,715	-	-	-	-	58,715
Police Protection Fund	-	-	-	-	-	90,910	90,910
Liquor Fund	-	-	-	-	-	8,118	8,118
Holiday Hills Improvement	-	-	-	302,843	-	-	302,843
Capital Projects	6,864	-	-	-	-	-	6,864
Total Restricted	15,458	58,715	588,956	302,843	-	99,028	1,065,000
Committed for:							
Self Funded Accts	388,125	-	-	-	-	-	388,125
Cemetery	-	-	-	-	-	10,936	10,936
Shoreline Preservation Fund	-	-	-	-	-	1,379	1,379
Parks	69,208	-	-	-	-	860	70,068
Saylor Park Boat Launch	-	-	-	-	682	-	682
GTTC Engineer Project Mgmt	32,000	-	-	-	-	-	32,000
Township Hall / Community Center	30,000	-	-	-	-	-	30,000
Septage Plant Bond Buyout	185,846	-	-	-	-	-	185,846
Total Committed	705,179	-	-	-	682	13,175	719,036
Unassigned	444,354	-	-	-	-	-	444,354
<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,309,212</b>	<b>\$ 58,715</b>	<b>\$ 588,956</b>	<b>\$ 302,843</b>	<b>\$ 682</b>	<b>\$ 112,203</b>	<b>\$ 2,372,611</b>

Restricted fund balance of \$1,065,000 in the funds equals the amount restricted in the statement of net position in the government-wide financial statements.

#### Note 13 - Tax Abatement Disclosure

Agricultural processing renaissance zone abatements are granted in the State of Michigan under Public Act 376 of 1996, as amended, to help attract new business, increase economic development, and expand agricultural business and employment opportunities. The exemption must be approved by both the Township (after a public hearing is held) and the State of Michigan. The exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the Township. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2017, the Township's property taxes were reduced by \$7,297 under this program.

## **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, 2017**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
<b>Revenues</b>				
Property Taxes	\$ 344,750	\$ 344,750	\$ 341,102	\$ (3,648)
License & Permits	85,200	85,200	90,452	5,252
Local Contributions	--	--	19,208	19,208
Grants	40,250	40,250	15,000	(25,250)
State Revenue Sharing	340,496	340,496	351,912	11,416
Charges for Services	88,500	88,500	37,155	(51,345)
Other	26,700	26,700	28,736	2,036
Interest Income	1,850	1,850	4,849	2,999
<b>Total Revenues</b>	<u>927,746</u>	<u>927,746</u>	<u>888,414</u>	<u>(39,332)</u>
<b>Other Financing Sources</b>				
Transfers In	--	28,000	28,000	--
<b>Total Revenues and Other Financing Sources</b>	<u>927,746</u>	<u>955,746</u>	<u>916,414</u>	<u>(39,332)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	168,170	166,170	168,648	(2,478)
Supervisor	49,140	49,140	48,499	641
Elections	15,150	17,150	15,619	1,531
Assessing	53,983	53,983	53,235	748
Clerk	81,977	81,977	79,267	2,710
Board of Review	1,261	1,261	893	368
Treasurer	68,775	68,775	66,440	2,335
Building & Grounds	36,900	48,900	47,085	1,815
<b>Total General Government</b>	<u>475,356</u>	<u>487,356</u>	<u>479,686</u>	<u>7,670</u>
<b>Public Works</b>	2,800	48,975	49,354	(379)
<b>Community and Economic Development</b>	210,630	210,630	129,061	81,569
<b>Parks &amp; Recreation</b>	109,560	109,560	100,846	8,714
<b>Other</b>	14,400	19,000	14,688	4,312
<b>Contingency</b>	65,000	2,142	--	2,142
<b>Total Expenditures</b>	<u>877,746</u>	<u>877,664</u>	<u>773,635</u>	<u>104,029</u>
<b>Other Financing Uses</b>				
Transfers Out	--	158,644	158,644	--
<b>Total Expenditures and Other Financing Uses</b>	<u>877,746</u>	<u>1,036,307</u>	<u>932,279</u>	<u>104,028</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>50,000</u>	<u>(80,561)</u>	<u>(15,865)</u>	<u>64,696</u>
<b>Net Change in Fund Balance</b>	<u>50,000</u>	<u>(80,561)</u>	<u>(15,865)</u>	<u>64,696</u>
<b>Fund Balance at Beginning of Period</b>	<u>1,325,077</u>	<u>1,325,077</u>	<u>1,325,077</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 1,375,077</u>	<u>\$ 1,244,516</u>	<u>\$ 1,309,212</u>	<u>\$ 64,696</u>

**Township of Acme**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire Fund**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 754,196	\$ 754,196	\$ 755,951	\$ 1,755
<i><b>Total Revenues</b></i>	<u>754,196</u>	<u>754,196</u>	<u>755,951</u>	<u>1,755</u>
<b>Other Financing Sources</b>				
Transfers In	2,000	83,499	83,499	--
<i><b>Total Revenues and Other Financing Sources</b></i>	<u>756,196</u>	<u>837,695</u>	<u>839,450</u>	<u>1,755</u>
<b>Expenditures</b>				
Public Safety	753,122	815,955	813,227	2,728
<i><b>Total Expenditures</b></i>	<u>753,122</u>	<u>815,955</u>	<u>813,227</u>	<u>2,728</u>
<i><b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b></i>	<u>3,074</u>	<u>21,740</u>	<u>26,223</u>	<u>4,483</u>
<i><b>Net Change in Fund Balance</b></i>	<u><b>3,074</b></u>	<u><b>21,740</b></u>	<u><b>26,223</b></u>	<u><b>4,483</b></u>
<i>Fund Balance at Beginning of Period</i>	<u>32,492</u>	<u>32,492</u>	<u>32,492</u>	<u>--</u>
<i><b>Fund Balance at End of Period</b></i>	<u><b>\$ 35,566</b></u>	<u><b>\$ 54,232</b></u>	<u><b>\$ 58,715</b></u>	<u><b>\$ 4,483</b></u>

**Township of Acme**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Farm Land Preservation**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 236,022	\$ 236,022	\$ 232,673	\$ (3,349)
Interest Income	60	60	495	435
<b>Total Revenues</b>	<u>236,082</u>	<u>236,082</u>	<u>233,168</u>	<u>(2,914)</u>
<b>Expenditures</b>				
Community and Economic Development	24,000	24,000	37,500	(13,500)
Capital Outlay	200,000	200,000	--	200,000
<b>Total Expenditures</b>	<u>224,000</u>	<u>224,000</u>	<u>37,500</u>	<u>186,500</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>12,082</u>	<u>12,082</u>	<u>195,668</u>	<u>183,586</u>
<b>Net Change in Fund Balance</b>	<b>12,082</b>	<b>12,082</b>	<b>195,668</b>	<b>183,586</b>
<i>Fund Balance at Beginning of Period</i>	393,288	393,288	393,288	--
<b>Fund Balance at End of Period</b>	<b>\$ 405,370</b>	<b>\$ 405,370</b>	<b>\$ 588,956</b>	<b>\$ 183,586</b>



**Township of Acme**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Holiday Hills Improvement**  
**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Special Assessments	\$ 64,832	\$ 64,832	\$ 80,703	\$ 15,871
Other	40,000	40,000	--	(40,000)
<b>Total Revenues</b>	<b>104,832</b>	<b>104,832</b>	<b>80,703</b>	<b>(24,129)</b>
<b>Expenditures</b>				
Debt Service - Principal	37,203	37,203	30,000	7,203
Debt Service - Interest	23,010	23,010	23,010	--
<b>Total Expenditures</b>	<b>60,213</b>	<b>60,213</b>	<b>53,010</b>	<b>7,203</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>44,620</b>	<b>44,620</b>	<b>27,693</b>	<b>(16,927)</b>
<b>Net Change in Fund Balance</b>	<b>44,620</b>	<b>44,620</b>	<b>27,693</b>	<b>(16,927)</b>
<b>Fund Balance at Beginning of Period</b>	<b>275,150</b>	<b>275,150</b>	<b>275,150</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>319,770</b>	<b>319,770</b>	<b>302,843</b>	<b>(16,927)</b>

## **Combining and Individual Fund Statements and Schedules**

**Township of Acme  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017**

	Special Revenue					Total Nonmajor Governmental Funds
	Police Protection	Cemetery Fund	Liquor Fund	Shoreline Preservation	Park Fund	
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 90,910	\$ 14,616	\$ 8,118	\$ 1,379	\$ 4,960	\$ 119,983
<i>Total Assets</i>	<b>\$ 90,910</b>	<b>\$ 14,616</b>	<b>\$ 8,118</b>	<b>\$ 1,379</b>	<b>\$ 4,960</b>	<b>\$ 119,983</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ 3,680	\$ --	\$ --	\$ 4,100	\$ 7,780
<i>Total Liabilities</i>	<b>--</b>	<b>3,680</b>	<b>--</b>	<b>--</b>	<b>4,100</b>	<b>7,780</b>
<b>FUND BALANCE</b>						
Restricted	90,910	--	8,118	--	--	99,028
Committed	--	10,936	--	1,379	860	13,175
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	<b>90,910</b>	<b>10,936</b>	<b>8,118</b>	<b>1,379</b>	<b>860</b>	<b>112,203</b>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<b>\$ 90,910</b>	<b>\$ 14,616</b>	<b>\$ 8,118</b>	<b>\$ 1,379</b>	<b>\$ 4,960</b>	<b>\$ 119,983</b>

**Township of Acme**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

	Special Revenue					Total Nonmajor Governmental Funds
	Police Protection	Cemetery Fund	Liquor Fund	Shoreline Preservation	Park Fund	
<b>Revenues</b>						
Property Taxes	\$ 44,895	\$ --	\$ --	\$ --	\$ --	\$ 44,895
License & Permits	--	--	9,585	--	--	9,585
Local Contributions	--	--	--	--	707	707
Charges for Services	--	10,000	--	--	--	10,000
Interest Income	--	--	4	1	--	5
<b>Total Revenues</b>	<b>44,895</b>	<b>10,000</b>	<b>9,589</b>	<b>1</b>	<b>707</b>	<b>65,192</b>
<b>Expenditures</b>						
General Government	--	8,471	--	--	--	8,471
Public Safety	63,307	--	--	--	--	63,307
Recreation & Culture	--	--	--	--	4,047	4,047
Capital Outlay	--	--	--	--	65,240	65,240
<b>Total Expenditures</b>	<b>63,307</b>	<b>8,471</b>	<b>--</b>	<b>--</b>	<b>69,287</b>	<b>141,065</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(18,412)</b>	<b>1,529</b>	<b>9,589</b>	<b>1</b>	<b>(68,580)</b>	<b>(75,873)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	8,600	--	--	--	5,000	13,600
Transfers Out	--	--	(8,600)	--	--	(8,600)
<b>Net Other Financing Sources (Uses)</b>	<b>8,600</b>	<b>--</b>	<b>(8,600)</b>	<b>--</b>	<b>5,000</b>	<b>5,000</b>
<b>Net Change in Fund Balance</b>	<b>(9,812)</b>	<b>1,529</b>	<b>989</b>	<b>1</b>	<b>(63,580)</b>	<b>(70,873)</b>
<b>Fund Balance at Beginning of Period</b>	<b>100,722</b>	<b>9,407</b>	<b>7,129</b>	<b>1,378</b>	<b>64,440</b>	<b>183,076</b>
<b>Fund Balance at End of Period</b>	<b>\$ 90,910</b>	<b>\$ 10,936</b>	<b>\$ 8,118</b>	<b>\$ 1,379</b>	<b>\$ 860</b>	<b>\$ 112,203</b>

October 20, 2017

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, 2017. 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 14, 2017. 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 2017. 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, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each 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 October 20, 2017.

### *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, 2017, 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 of Acme 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 a simple loop.

Gabridge & Company, PLC  
Grand Rapids, Michigan