

Township of Albert, Michigan

BASIC FINANCIAL STATEMENTS

March 31, 2017

TOWNSHIP OF ALBERT, MICHIGAN

ELECTED OFFICIALS

TOWNSHIP SUPERVISOR

MIKE DOMBROWSKI

TOWNSHIP TREASURER

JOHN RIGHI

TOWNSHIP CLERK

JUDY ATHAN

TOWNSHIP TRUSTEE

ROGER COHOE

TOWNSHIP TRUSTEE

BRIAN CARROLL

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees of the
Township of Albert, Michigan
Lewiston, Michigan 49756

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of March 31, 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 schedules on pages 3 through 5 and pages 25 through 28 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2017 on our consideration of the Township of Albert, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Albert, Michigan's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 24, 2017

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net position decreased 4.6% from a year ago decreasing from \$2,220,268 to \$2,120,029, mainly due to an increase in expenses in the ambulance fund.

In a condensed format, the table below shows the net position of Township of Albert, Michigan.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 803,869	\$ 904,591	\$ 2,746	\$ 1,512	\$ 806,615	\$ 906,103
Capital Assets	1,298,145	1,323,699	146,821	153,932	1,444,966	1,477,631
Total Assets	\$ 2,102,014	\$ 2,228,290	\$ 149,567	\$ 155,444	\$ 2,251,581	\$ 2,383,734
Current Liabilities	\$ 35,277	\$ 46,963	\$ 42	\$ 42	\$ 35,319	\$ 47,005
Noncurrent Liabilities	96,233	116,461	-	-	96,233	116,461
Total Liabilities	131,510	163,424	42	42	131,552	163,466
Net Position						
Net Investment in						
Capital Assets	1,179,632	1,185,605	146,821	153,932	1,326,453	1,339,537
Restricted	409,922	536,595	2,704	1,470	412,626	538,065
Unrestricted	380,950	342,666	-	-	380,950	342,666
Total Net Position	\$ 1,970,504	\$ 2,064,866	\$ 149,525	\$ 155,402	\$ 2,120,029	\$ 2,220,268

Unrestricted net position – the part of net position that can be used to finance day to day operations ended the year at \$380,950, an increase of \$38,284 from the prior year.

The following table shows the activities of the Township.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 258,819	\$ 219,145	\$ 5,452	\$ 5,566	\$ 264,271	\$ 224,711
Operating Grants and Contributions	67,702	88,785	-	-	67,702	88,785
General Revenues						
Property Taxes	648,859	697,654	-	-	648,859	697,654
State Revenue Sharing	194,727	189,804	-	-	194,727	189,804
Investment Earnings and Other Revenues	45,991	32,591	-	-	45,991	32,591
Total Revenues	1,216,098	1,227,979	5,452	5,566	1,221,550	1,233,545
Program Expenses						
Legislative	98,249	106,560	-	-	98,249	106,560
General Government	294,071	276,005	-	-	294,071	276,005
Public Safety	642,474	644,952	-	-	642,474	644,952
Public Works	180,568	314,636	-	-	180,568	314,636
Recreation and Culture	26,847	28,930	-	-	26,847	28,930
Other Expenses	50,951	27,225	-	-	50,951	27,225
Water	-	-	28,629	24,628	28,629	24,628
Total Expenses	1,293,160	1,398,308	28,629	24,628	1,321,789	1,422,936
Transfers	(17,300)	(4,800)	17,300	4,800	-	-
Changes in Net Position	(94,362)	(175,129)	(5,877)	(14,262)	(100,239)	(189,391)
Net Position - Beginning	2,064,866	2,239,995	155,402	169,664	2,220,268	2,409,659
Net Position - Ending	\$ 1,970,504	\$ 2,064,866	\$ 149,525	\$ 155,402	\$ 2,120,029	\$ 2,220,268

The Township's net position continues to remain healthy. The total revenues decreased by \$11,995 while expenses decreased by \$101,147.

Governmental Activities

The Township's total governmental revenues were \$1,216,098, which was a decrease of \$11,881, which was primarily due to a decrease in operating grants and taxes.

Expenditures decreased for the year by \$105,148, which were primarily due to decreases in Public Works.

Business-Type Activities

The Township's only business type activity is a water system which provides water to only customers in the downtown area of Lewiston. This activity relies heavily on the general fund for financial support if large capital improvements are needed. It showed a decrease in net position of \$5,877 for the fiscal year.

The Township's Funds

Our analysis of the Township's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide more detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2016/2017 include the General Fund, Fire and Ambulance Fund, and Road Fund.

The General Fund pays for most of the Township's governmental services, except for fire and ambulance services that are paid for by the Fire and Ambulance Fund. The most significant services in terms of costs incurred are assessing and transfer site which are paid by the General Fund and fire and ambulance services paid by the Fire and Ambulance Fund.

Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. There were only minor budget adjustments during the year. Refer to pages 25-28 for more detail.

Capital Asset and Debt Administration

As of March 31, 2017, the Township had \$1,444,966 invested in a broad range of capital assets, including land, buildings, equipment, fire equipment, and water system. The road assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the County Road Commission (along with the responsibility to maintain them). The only debt associated with the Township is for an Ambulance with an outstanding balance of \$118,513 at the end of fiscal year 2017.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2017/2018 General Fund calls for the allocated millage to continue. The Fire and Ambulance Fund extra voted millage will also continue with a slight rollback. Both millages reflect an increase in revenue due to the increase in Taxable Value.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the supervisor's office at (989) 786-2513 or visit the Township offices located in Lewiston, Michigan.

Basic Financial Statements

Township of Albert, Michigan

Statement of Net Position March 31, 2017

	Governmental Activities	Business-type Activities	Totals	Component Unit DDA
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 721,546	\$ 2,746	\$ 724,292	\$ 21,661
Accounts Receivable	30,951	-	30,951	-
Taxes Receivable	51,372	-	51,372	-
Capital Assets (Not Depreciated)	64,700	-	64,700	-
Capital Assets (Net of Accumulated Depreciation)	1,233,445	146,821	1,380,266	-
TOTAL ASSETS	\$ 2,102,014	\$ 149,567	\$ 2,251,581	\$ 21,661
LIABILITIES:				
Accrued Liabilities	\$ 5,499	\$ 42	\$ 5,541	\$ -
Installment Notes - Current	29,778	-	29,778	-
Installment Notes - Due in more than one year	88,735	-	88,735	-
Vested Employee Benefits - Due in more than one year	7,498	-	7,498	-
TOTAL LIABILITIES	\$ 131,510	\$ 42	\$ 131,552	\$ -
NET POSITION:				
Net Investment in Capital Assets	1,179,632	146,821	1,326,453	-
Restricted	409,922	2,704	412,626	21,661
Unrestricted	380,950	-	380,950	-
TOTAL NET POSITION	\$ 1,970,504	\$ 149,525	\$ 2,120,029	\$ 21,661

Township of Albert, Michigan

Statement of Activities For the Year Ended March 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit DDA
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Governmental Activities:							
Legislative	\$ 98,249	\$ -	\$ -	\$ (98,249)	\$ -	\$ (98,249)	\$ -
General Government	294,071	17,670	-	(276,401)	-	(276,401)	-
Public Works	180,568	74,177	63,202	(43,189)	-	(43,189)	-
Public Safety	642,474	164,695	-	(477,779)	-	(477,779)	-
Recreation and Culture	26,847	2,277	4,500	(20,070)	-	(20,070)	-
Interest Expense	5,610	-	-	(5,610)	-	(5,610)	-
Other Expenses	45,341	-	-	(45,341)	-	(45,341)	-
Total Governmental Activities	1,293,160	258,819	67,702	(966,639)	-	(966,639)	-
Business-type Activities:							
Water	28,629	5,452	-	-	(23,177)	(23,177)	-
Total Primary Government	\$ 1,321,789	\$ 264,271	\$ 67,702	(966,639)	(23,177)	(989,816)	-
Component Unit:							
DDA	\$ 22,257	\$ -	\$ 23,758				1,501
General Revenues and Transfers:							
Taxes - Real Property				648,859	-	648,859	-
State Revenue Sharing				194,727	-	194,727	-
Investment Earnings				5,170	-	5,170	18
Local and Other Sources				40,821	-	40,821	-
Transfers				(17,300)	17,300	-	-
Total General Revenues and Transfers				872,277	17,300	889,577	18
Changes in Net Position				(94,362)	(5,877)	(100,239)	1,519
Net Position - Beginning				2,064,866	155,402	2,220,268	20,142
Net Position - Ending				\$ 1,970,504	\$ 149,525	\$ 2,120,029	\$ 21,661

See accompanying notes to financial statements.

Township of Albert, Michigan

Balance Sheet
Governmental Funds
March 31, 2017

	General Fund	Fire and Ambulance Fund	Road Fund	Nonmajor Governmental Metro Act Fund	Total Governmental Funds
ASSETS:					
Cash and Equivalents - Unrestricted	\$ 376,426	\$ 182,291	\$ 124,858	\$ 37,971	\$ 721,546
Accounts Receivable	11,594	19,357	-	-	30,951
Taxes Receivable	9,677	34,567	7,128	-	51,372
TOTAL ASSETS	\$ 397,697	\$ 236,215	\$ 131,986	\$ 37,971	\$ 803,869
LIABILITIES:					
Accrued Liabilities	\$ 2,247	\$ 3,252	-	-	\$ 5,499
FUND BALANCES:					
Restricted	-	232,963	131,986	-	364,949
Assigned	-	-	-	37,971	37,971
Committed	7,002	-	-	-	7,002
Unassigned	388,448	-	-	-	388,448
TOTAL FUND BALANCES	395,450	232,963	131,986	37,971	798,370
TOTAL LIABILITIES AND FUND BALANCES	\$ 397,697	\$ 236,215	\$ 131,986	\$ 37,971	

Reconciliation to amounts reported for governmental activities in the statement of net position:

Capital assets used by governmental activities	1,298,145
Installment Loans	(118,513)
Vested Employee Benefits	(7,498)
Net position of governmental activities	\$ 1,970,504

Township of Albert, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2017

	General	Fire and Ambulance Fund	Road Fund	Nonmajor Governmental Metro Act Fund	Total Governmental Funds
REVENUES:					
Taxes	\$ 160,845	\$ 413,554	\$ 74,460	\$ -	\$ 648,859
Licenses and Permits	7,461	-	-	-	7,461
State Sources	244,499	-	-	5,430	249,929
Local Sources	12,500	-	-	-	12,500
Charges for Services	89,537	140,418	-	-	229,955
Interest and Royalties	4,269	82	819	-	5,170
Other Revenue	46,182	16,042	-	-	62,224
TOTAL REVENUES	565,293	570,096	75,279	5,430	1,216,098
EXPENDITURES:					
Legislative	98,249	-	-	-	98,249
General Government	252,733	-	-	-	252,733
Public Works	67,125	-	112,345	-	179,470
Public Safety	33,905	542,952	-	-	576,857
Recreation and Culture	20,177	-	-	-	20,177
Capital Outlay	37,024	122,181	-	-	159,205
TOTAL EXPENDITURES	509,213	665,133	112,345	-	1,286,691
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,080	(95,037)	(37,066)	5,430	(70,593)
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out	(17,300)	-	-	-	(17,300)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	38,780	(95,037)	(37,066)	5,430	(87,893)
FUND BALANCES, APRIL 1	356,670	328,000	169,052	32,541	886,263
FUND BALANCES, MARCH 31	\$ 395,450	\$ 232,963	\$ 131,986	\$ 37,971	\$ 798,370

Township of Albert, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2017

Net changes in fund balances – total governmental funds \$ (87,893)

The change in net position reported for governmental activities in the statement of activities is different because:

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 depreciation (\$139,418) exceeded capital outlay \$113,864 in the current period. (25,554)

Repayment of installment principal is an expenditure in the governmental funds, but reduces liabilities in the statement of net position. 19,581

Vested employee benefits are not recognized as expenditures until paid, but on the statement of activities they are recorded when earned. (496)

Changes in net position – statement of activities \$ (94,362)

**Statement of Net Position
Proprietary Funds
March 31, 2017**

	Enterprise Fund <u>Water</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 2,746
Capital Assets (Net of Accumulated Depreciation)	<u>146,821</u>
 TOTAL ASSETS	 <u>\$ 149,567</u>
 LIABILITIES:	
Accrued Liabilities	<u>\$ 42</u>
 NET POSITION:	
Net Investment in Capital Assets	146,821
Restricted	<u>2,704</u>
 TOTAL NET POSITION	 <u>\$ 149,525</u>

Township of Albert, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended March 31, 2017

	Enterprise Fund Water
OPERATING REVENUES:	
Charges for Services	\$ 5,452
OPERATING EXPENSES:	
Wages and Fringe Benefits	4,944
Repair and Maintenance	2,103
Utilities	2,103
Insurance	1,796
Other	2,710
Depreciation Expense	14,973
Total Operating Expenses	28,629
Operating Income (Loss)	(23,177)
NON-OPERATING REVENUES (EXPENSES):	
Transfers In	17,300
Changes in Net Position	(5,877)
NET POSITION, APRIL 1	155,402
NET POSITION, MARCH 31	\$ 149,525

**Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2017**

	Enterprise Fund Water
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers	\$ 5,452
Payments to Suppliers	(8,712)
Payments to Employees	(4,944)
	(8,204)
Net Cash Provided (Used) by Operating Activities	(8,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	(7,862)
	(7,862)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,862)
CASH FLOWS FROM NON CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfers In	17,300
	17,300
Net Cash Provided (Used) by Non Capital and Related Financing Activities	17,300
Net Increase (Decrease) in Cash and Cash Equivalents	1,234
Balances - Beginning of the Year	1,512
Balances - End of the Year	\$ 2,746
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (23,177)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	14,973
	14,973
Net Cash Provided (Used) by Operating Activities	\$ (8,204)

Township of Albert, Michigan

Statement of Fiduciary Net Position Fiduciary Fund March 31, 2017

	<u>Agency</u>
ASSETS:	
Cash and Equivalents - Unrestricted	<u>\$ 37,327</u>
 TOTAL ASSETS	 <u><u>\$ 37,327</u></u>
 LIABILITIES:	
Due to Other Governmental Units	<u>\$ 37,327</u>
 TOTAL LIABILITIES	 <u><u>\$ 37,327</u></u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Albert, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

A – Reporting Entity:

The General Law Township is located in Montmorency County, Michigan and operated under an elected Township Board consisting of a Supervisor, Treasurer, Clerk, and two Trustees. This Board and its employees provide services to its residents in areas such as fire protection, ambulance service, voter registration, maintenance of township facilities, planning and zoning, water, and transfer site.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township’s reporting entity, and which organizations are legally separate, component units of the Township. The component unit discussed below is included in the Township’s reporting entity because of its operational or financial relationship with the Township.

Discretely Presented Component Unit – The component unit columns in the government-wide financial statements include the financial data of the township’s component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Township. The component unit is described as follows:

Lewiston Downtown Development Authority (DDA) – The Township Board appoints the members of the governing board of the DDA. The Township also has the ability to significantly influence operations of the DDA.

B – 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 the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The primary government is reported separately from the legally separate component unit, for which the primary government is financially accountable.

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, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and enterprise funds are reported as separate columns in the fund financial statements.

C – 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 fiduciary fund financial statements. Revenue is 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 revenue 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. Under this method, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Taxes Receivable – Current or Property Taxes

The Township of Albert property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Albert, as of the preceding December 31st.

The 2016 taxable valuation of Township of Albert totaled \$150,954,249, on which ad valorem taxes levied consisted of .6766 mills for the Township operating, 2.7396 mills for fire and ambulance and .5000 mills for roads. These amounts are recognized in the fund financial statements as tax revenue.

The Township reports the following major governmental funds:

General Fund – This is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire and Ambulance Fund – This is a special revenue fund used to record revenue and expenditures related to the fire and ambulance department activities.

Road Fund – This is a special revenue fund used to record the proceeds from tax levies and to record the expenditures for road improvements.

The Township reports only one business type activity fund, the Water Fund, which is an enterprise fund and is reported as a major fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the Township reports the following fund types:

Special Revenue Funds – These funds are used to account for specific revenues derived primarily from sources (other than major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Fiduciary Funds – The Township maintains an Agency Fund to record the tax collection transactions. The funds are segregated and used to record the tax collection and distribution of taxes to the various taxing entities.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance:

Cash and Equivalents – Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds. All receivables and payables are reported at their gross value. The Township has not established an allowance for uncollectable accounts since, in the opinion of management, the amount is not significant.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	10 to 50 years
Equipment and Vehicles	2 to 15 years

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet 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 no items that qualify for reporting in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Township has no items as being Nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Township. These amounts cannot be used for any other purpose unless the Township removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Township’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Township through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Township would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

- a. Each year, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the board level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

All funds are under the direct supervision and budgetary control of the Township board. In accordance with PA 621 of 1978, the Uniform Budgeting and Accounting Act as amended, the Township board adopts a budget for the general fund and the fire special revenue fund. Any budget violations are disclosed in the audits of the Township's financial statements as required by law.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budgets, as adopted, lapse after the close of the fiscal year and a new budget is adopted for the ensuing year. The budget for Albert Township, as presented in the accompanying financial statements is the amended budget as well as the original adopted budget for the funds required to be budgeted under state statutes.

NOTE 3 - CASH AND EQUIVALENTS

At year end, the Township's cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Cash and Equivalents - Unrestricted	\$ 721,546	\$ 2,746	\$ 724,292	\$ 37,327	\$ 21,661

The breakdown between cash and equivalents is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>
Bank Deposits (checking and savings accounts, and certificates of deposit)	\$ 724,042	\$ 37,327	\$ 21,661
Petty Cash	<u>250</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 724,292</u>	<u>\$ 37,327</u>	<u>\$ 21,661</u>

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the Township manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Township's policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$257,860 of the Township's bank balance of \$816,907 was exposed to credit risk because it was uninsured and uncollateralized.

Custodial investment credit risk. Custodial investment credit risk is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or securities that are in the possession of an outside party. The Township's investments are in the name of the Township and therefore, are not exposed to this risk.

Fair value measurement. The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

Statutory Authority:

Public Act 152, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely due to any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government during the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 64,700	\$ -	\$ -	\$ 64,700
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,028,159	15,818	-	1,043,977
Equipment and Vehicles	<u>2,135,788</u>	<u>98,046</u>	-	<u>2,233,834</u>
Subtotal	<u>3,163,947</u>	<u>113,864</u>	-	<u>3,277,811</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(508,688)	(22,902)	-	(531,590)
Equipment and Vehicles	<u>(1,396,260)</u>	<u>(116,516)</u>	-	<u>(1,512,776)</u>
Subtotal	<u>(1,904,948)</u>	<u>(139,418)</u>	-	<u>(2,044,366)</u>
Net Capital Assets Being Depreciated	<u>1,258,999</u>	<u>(25,554)</u>	-	<u>1,233,445</u>
Capital Assets - Net	<u>\$ 1,323,699</u>	<u>\$ (25,554)</u>	<u>\$ -</u>	<u>\$ 1,298,145</u>

NOTE 4 - CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$ 40,842
Public Safety	90,808
Public Works	1,098
Recreation and Culture	<u>6,670</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 139,418</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 35,101	\$ -	\$ -	\$ 35,101
Equipment and Vehicles	<u>333,308</u>	<u>7,862</u>	<u>-</u>	<u>341,170</u>
Subtotal	<u>368,409</u>	<u>7,862</u>	<u>-</u>	<u>376,271</u>
 <i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(13,163)	(878)	-	(14,041)
Equipment and Vehicles	<u>(201,314)</u>	<u>(14,095)</u>	<u>-</u>	<u>(215,409)</u>
Subtotal	<u>(214,477)</u>	<u>(14,973)</u>	<u>-</u>	<u>(229,450)</u>
Net Capital Assets Being Depreciated	<u>153,932</u>	<u>(7,111)</u>	<u>-</u>	<u>146,821</u>
Capital Assets – Net	<u>\$ 153,932</u>	<u>\$ (7,111)</u>	<u>\$ -</u>	<u>\$ 146,821</u>

Business-type Activities	
Water Fund	<u>\$ 14,973</u>

NOTE 5 - INTERFUND TRANSFERS

TRANSFERS IN		TRANSFERS OUT
		General Fund
	Water Fund	<u>\$ 17,300</u>

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 6 - RELATED PARTY TRANSACTIONS

The township’s component unit-DDA purchases landscape maintenance services from M&T Construction whose owner is a board member of the DDA. As of March 31, 2017, the DDA procured \$8,499 out of \$18,312 for these types of services from M&T Construction.

NOTE 7 - RISK MANAGEMENT

The Township of Albert is exposed to various risks of loss related to property loss, torts, errors, and omissions, employee injuries, as well as workmen’s compensation benefits provided to employees. The Township participates in the Michigan Township Participating Plan for general liability, property loss, automobile, professional, public official errors and omissions liabilities. In addition, the Township has purchased commercial insurance for workmen’s compensation benefits through the Accident Fund Insurance Company of America.

NOTE 8 - VESTED EMPLOYEE BENEFITS

The Township’s personnel policy provides for the payment of vacation and sick time. This accumulates up to 168 hours for township employees and 192 hours for fire and ambulance employees (24 days). Vested employee benefits totaled \$7,498 at March 31, 2017.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Vested Employee Benefits - net	\$ <u>7,002</u>	\$ <u>496</u>	\$ <u>-</u>	\$ <u>7,498</u>

NOTE 9 - LONG-TERM DEBT

General Long-Term Debt – The installments payable reflected in the basic financial statements consist of general obligation notes incurred by the Township. The Township has pledged the general full faith and credit of the Township for the payment of principal and interest on the bonds.

Changes in long-term debt during the twelve months ending March 31, 2017 are summarized as follows:

	<u>Balance 04/01/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 03/31/17</u>	<u>Due Within One Year</u>
Government Type Activities:					
2015 Installment Loan Purchase Agreement for an Ambulance through First Federal Bank & Trust maturing annually with payments of \$20,000 though 2017 at an interest rate of 5.05%, secured by assets.	\$ <u>138,094</u>	\$ <u>-</u>	\$ <u>19,581</u>	\$ <u>118,513</u>	\$ <u>29,778</u>

NOTE 9 - LONG-TERM DEBT (Continued)

The annual principal and interest requirements for the years ending March 31, 2017 and after, excluding vested employee benefits are as follows:

<u>Year End March 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 29,778	\$ 3,819
2019	30,952	2,646
2020	32,171	1,426
2021	<u>25,612</u>	<u>242</u>
Total	<u>\$ 118,513</u>	<u>\$ 8,133</u>

NOTE 10 - EXCESS EXPENDITURES OVER APPROPRIATIONS

Public Act 2 of 1968, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Fire and Ambulance Fund:			
Public Safety	\$ 510,583	\$ 542,952	\$ (32,369)
Capital Outlay	62,598	122,181	(59,583)

Required Supplementary Information

Township of Albert, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 155,630	\$ 155,630	\$ 160,845	\$ 5,215
Licenses & Permits	5,762	5,762	7,461	1,699
State Sources	237,450	237,450	244,499	7,049
Local Sources	12,500	12,500	12,500	-
Charges for Services	84,006	84,006	89,537	5,531
Interest and Rents	1,011	1,011	4,269	3,258
Other Revenue	9,567	9,567	46,182	36,615
TOTAL REVENUES	505,926	505,926	565,293	59,367
EXPENDITURES:				
Legislative:				
Township Board	100,268	101,068	98,249	2,819
General Government:				
Supervisor	15,121	15,271	15,004	267
Treasurer	38,115	40,115	39,792	323
Clerk	39,097	38,426	35,861	2,565
Assessor	46,372	46,072	45,717	355
Board of Review	1,595	2,075	1,896	179
Board of Appeals	6,775	2,575	1,135	1,440
Elections	7,847	10,947	10,326	621
Building and Grounds	86,923	87,973	87,660	313
Attorney	8,025	2,725	2,434	291
Township Garage	4,400	4,400	4,320	80
Cemetery	9,660	9,660	8,588	1,072
Total General Government	263,930	260,239	252,733	7,506
Public Works:				
Transfer Site	66,248	67,748	67,125	623
Public Safety:				
Police	450	500	441	59
Zoning and Planning	56,317	36,547	33,464	3,083
Total Public Safety	56,767	37,047	33,905	3,142

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Park	16,150	18,200	18,331	(131)
Chamber of Commerce	1,325	825	781	44
Library	1,075	1,135	1,065	70
Total Recreation and Culture	18,550	20,160	20,177	(17)
Capital Outlay	43,350	37,192	37,024	168
TOTAL EXPENDITURES	549,113	523,454	509,213	14,241
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,187)	(17,528)	56,080	73,608
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 60,000	\$ 60,000	-	\$ (60,000)
Transfers Out	(60,000)	(68,300)	(17,300)	51,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (43,187)	\$ (25,828)	38,780	\$ 64,608
FUND BALANCE, APRIL 1			356,670	
FUND BALANCE, MARCH 31			\$ 395,450	

Township of Albert, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Fire & Ambulance Fund
For the Year Ended March 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 444,208	\$ 20,240	\$ 413,554	\$ 393,314
Charges for Services	134,500	134,500	140,418	5,918
Interest	100	100	82	(18)
Other Revenue	500	500	16,042	15,542
TOTAL REVENUES	<u>579,308</u>	<u>155,340</u>	<u>570,096</u>	<u>414,756</u>
EXPENDITURES:				
Public Safety	513,733	510,583	542,952	(32,369)
Capital Outlay	62,598	62,598	122,181	(59,583)
TOTAL EXPENDITURES	<u>576,331</u>	<u>573,181</u>	<u>665,133</u>	<u>(91,952)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,977	(417,841)	(95,037)	322,804
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>\$ 72,000</u>	<u>\$ 72,000</u>	<u>-</u>	<u>\$ (72,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 74,977</u>	<u>\$ (345,841)</u>	<u>\$ (95,037)</u>	<u>\$ 250,804</u>
FUND BALANCE, APRIL 1			<u>328,000</u>	
FUND BALANCE, MARCH 31			<u>\$ 232,963</u>	

Township of Albert, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended March 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 74,676	\$ 74,676	\$ 74,460	\$ (216)
Interest	10	10	819	809
TOTAL REVENUES	<u>74,686</u>	<u>74,686</u>	<u>75,279</u>	<u>593</u>
EXPENDITURES:				
Public Works	<u>116,370</u>	<u>116,370</u>	<u>112,345</u>	<u>4,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(41,684)	(41,684)	(37,066)	4,618
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 18,316</u>	<u>\$ 18,316</u>	(37,066)	<u>\$ (55,382)</u>
FUND BALANCE, APRIL 1			<u>169,052</u>	
FUND BALANCE, MARCH 31			<u>\$ 131,986</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Township of Albert, Michigan
Albert, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Albert, Michigan, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township of Albert, Michigan's basic financial statements and have issued our report thereon dated July 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township of Albert, Michigan'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 of Albert, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Albert, Michigan's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
Township of Albert, Michigan

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency listed as 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Albert, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

Township of Albert, Michigan's Response to Finding

The Township of Albert, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Township of Albert, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 24, 2017

Compliance and Other Matters

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2017-001

Condition: Our examination of procedures used by the Township to adopt and maintain operating budgets for the Township’s budgetary funds revealed the following instance of noncompliance with the provisions of Public Act 621 of 1978, Section 18(1), as amended, the Uniform Budgeting and Accounting Act.

The Township’s 2016-17 General Appropriations Act (budget) provided for expenditures of the Fire and Ambulance Fund to be controlled to the activity level. During the fiscal year ended March 31, 2017, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Fire and Ambulance Fund on page 27 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 621 of 1978, as amended.

During the year ended March 31, 2017, the Township incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>		<u>Amount of Expenditures</u>		<u>Budget Variance</u>
Fire and Ambulance Fund:					
Public Safety	\$ 510,583	\$	542,952	\$	(32,369)
Capital Outlay	62,598		122,181		(59,583)

Effect: The Township has not complied with various State Statutes.

Cause: Failure to amend the budget for the Fire and Ambulance Fund during the year.

Recommendation: We recommend that the Township and personnel responsible for administering the activities of the various funds of the Township, develop budgetary control procedures for the Fire and Ambulance Fund, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Management’s Response – Corrective Action Plan: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

- *Contact Person(s) Responsible for Correction:*
- Mike Dombrowski, Supervisor



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Trustees of the
Township of Albert, Michigan
Lewiston, Michigan 49756

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of Albert, Michigan for the year ended March 31, 2017, and have issued our report thereon dated July 24, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 19, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Township of Albert. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Albert's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 19, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Albert, Michigan are described in Note 1 to the financial statements. One new accounting policy was adopted regarding GASB Statement No.72 and the application of existing policies were not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that 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 financial statements was:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0.
- Management's estimate of vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.

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 the financial statements taken as a whole.

Disagreement 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 July 24, 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 governmental unit'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 as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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 governmental unit'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 the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our 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.

Conclusion

This letter is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

July 24, 2017