

**Township of Armada
Macomb County, Michigan**

FINANCIAL STATEMENTS

March 31, 2017

Township of Armada
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Armada
Macomb County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Armada, Michigan (the Township), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Armada, Michigan, as of March 31, 2017, and the respective changes in financial position 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 the budgetary comparison schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 fiduciary funds financial statements and schedule of indebtedness, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining fiduciary funds financial statements and schedule of indebtedness 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 fiduciary funds financial statements and schedule of indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 5, 2017

Township of Armada
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017

Financial Reporting

The discussion and analysis of the Township of Armada's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2017. Please read it in conjunction with the Township's financial statements.

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 of Armada as a whole and present a long-term view of the Township's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have fully funded the cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

The Township as a Whole

The following table shows in a condensed format, the net position as of March 31, 2017 and March 31, 2016:

	Governmental Activities	
	2017	2016
Assets		
Current assets and other	\$ 1,940,313	\$ 2,133,586
Capital assets, net	2,552,423	2,356,944
Total assets	4,492,736	4,490,530
Liabilities		
Current liabilities	161,550	81,061
Noncurrent liabilities	191,511	219,967
Total liabilities	353,061	301,028
Net Position		
Net investment in capital assets	2,332,456	2,109,451
Restricted	670,589	808,981
Unrestricted	1,136,630	1,271,070
Total net position	\$ 4,139,675	\$ 4,189,502

The Township of Armada's net position of governmental activities is \$4,139,675 of this amount, \$1,136,631 is unrestricted net position.

Township of Armada
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017

The following table shows the change in net position during the years ended March 31, 2017 and March 31, 2016:

	Governmental Activities	
	2017	2016
Revenue		
Program revenue		
Charges for services	\$ 385,169	\$ 320,948
Operating grants and contributions	115,683	209,675
Capital grants and contributions	4,336	118,558
General revenue		
Property taxes	934,243	972,201
State shared revenue	290,564	274,925
Investment earnings	5,832	6,837
Other revenue	35,563	25,052
Total revenue	1,771,390	1,928,196
Program Expenses		
General government	283,478	285,356
Public safety	1,308,583	943,068
Public works	89,832	63,564
Health and welfare	34,361	62,341
Recreation and culture	97,714	188,217
Interest on long-term debt	7,249	8,179
Total program expenses	1,821,217	1,550,725
Change in Net Position	\$ (49,827)	\$ 377,471

Governmental Activities

The Township of Armada's total governmental activity revenues were \$1,771,390. This was a \$156,806 decrease in revenues compared to the prior year, primarily resulting from a decrease in capital grant revenue as compared to the previous year as CDBG grant revenue was much lower.

Governmental activity expenditures of \$1,821,217 were recorded for the year, an increase of approximately 17 percent over expenditures for 2016. Certain expenditures were reclassified to the appropriate function while other functions fluctuated from 2016 to 2017, the most significant increase being in the public safety function. This was primarily related to the additional expenses in the fire fund, including additional depreciation and maintenance expenses in the Fire Fund.

The Township of Armada Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Armada as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities. The Township's major funds are the General Fund and Fire Fund.

Township of Armada

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services recorded in the General Fund.

The General Fund removed \$135,368 from fund balance for the year ended March 31, 2017. Revenues were approximately \$117,000 lower than the previous year, primarily because of CDBG (intergovernmental) revenue. Expenditures were approximately \$37,000 higher than the previous year, which was related to the purchase of new accounting software and additional expenditures in public works.

b) **Fire Fund**

The Fire Fund is primarily funded through a property tax levy. The taxes collected in fiscal year 2017 were roughly \$726,000. In addition, the Fire Fund recognizes intergovernmental revenue for a SAFER grant as well as charges for services for runs. The Fire Fund removed \$138,393 from fund balance for the year ended March 31, 2017.

General Fund Budgetary Highlights

Over the course of the year, the Township Board and Township administration monitor and amend the budget to account for unanticipated events during the year. Overall, the variance between the original and final budget for revenues and expenditures, respectively, was approximately 3 percent. Final budgeted revenues exceeded actual revenues by \$7,753, while final budgeted expenditures exceeded actual expenditures by \$199,537.

Capital Asset and Debt Administration

Capital Assets. At the end of 2017, the Township had \$2,552,423 invested in a board range of capital assets, including buildings and fire equipment. During the fiscal year 2017, the most significant capital asset additions were for improvements to the Township Hall, park improvements, fire hall parking lot improvements, new ambulances, skatepark construction, infrastructure improvements on Powell Road, water pump for the tank truck, and BS&A software. Further details related to the Township's capital assets can be found in Note D to the financial statements.

Long-term Debt. The Township's long-term debt decreased by approximately \$27,500 during fiscal year 2017, the result of making the annual required payment on the loan payable. Further details related to the Township's long-term debt can be found in Note E to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories. The 2018 budget calls for expenditures of the General Fund to exceed revenues by approximately \$540,000. The Township has sufficient unrestricted fund balance in the General Fund to sustain such expenditures.

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 of Armada's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Township Office in Armada, Michigan by telephone at (586) 784-5200.

BASIC FINANCIAL STATEMENTS

Township of Armada
STATEMENT OF NET POSITION
March 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,642,550
Investments	102,020
Receivables	
Accounts	141,210
Taxes	32,217
Due from other governmental units	8,546
Prepays	<u>13,770</u>
Total current assets	1,940,313
Noncurrent assets	
Capital assets not being depreciated	410,528
Capital assets, net of accumulated depreciation	<u>2,141,895</u>
Total noncurrent assets	<u>2,552,423</u>
TOTAL ASSETS	4,492,736
LIABILITIES	
Current liabilities	
Accounts payable	111,282
Accrued liabilities	14,563
Accrued interest payable	7,249
Current portion of long-term debt	<u>28,456</u>
Total current liabilities	161,550
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>191,511</u>
TOTAL LIABILITIES	<u>353,061</u>
NET POSITION	
Net investment in capital assets	2,332,456
Restricted for public safety	670,589
Unrestricted	<u>1,136,630</u>
TOTAL NET POSITION	<u>\$ 4,139,675</u>

See accompanying notes to financial statements.

Township of Armada
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 283,478	\$ 3,731	\$ 12,006	\$ 4,336
Public safety	1,308,583	85,238	91,488	-
Public works	89,832	-	4,410	-
Health and welfare	34,361	296,200	-	-
Recreation and culture	97,714	-	7,779	-
Interest on long-term debt	7,249	-	-	-
Total governmental activities	<u>\$ 1,821,217</u>	<u>\$ 385,169</u>	<u>\$ 115,683</u>	<u>\$ 4,336</u>
General revenues				
Property taxes				934,243
State shared revenue				290,564
Investment earnings				5,832
Miscellaneous				<u>35,563</u>
Total general revenues				<u>1,266,202</u>
Change in net position				(49,827)
Net position, beginning of the year				<u>4,189,502</u>
Net position, end of the year				<u>\$ 4,139,675</u>

Township of Armada

Governmental Funds

BALANCE SHEET

March 31, 2017

	General Fund	Fire Fund	Total
ASSETS			
Cash and cash equivalents	\$ 1,053,878	\$ 588,672	\$ 1,642,550
Investments	102,020	-	102,020
Receivables			
Accounts	51,582	89,628	141,210
Taxes	6,260	25,957	32,217
Due from other governmental units	-	8,546	8,546
Due from other funds	35,054	-	35,054
Prepays	5,250	8,520	13,770
TOTAL ASSETS	\$ 1,254,044	\$ 721,323	\$ 1,975,367
LIABILITIES			
Accounts payable	\$ 107,192	\$ 4,090	\$ 111,282
Accrued liabilities	2,973	11,590	14,563
Due to other funds	-	35,054	35,054
TOTAL LIABILITIES	110,165	50,734	160,899
FUND BALANCES			
Nonspendable	5,250	8,520	13,770
Restricted for public safety	-	662,069	662,069
Committed for township hall improvements	232,214	-	232,214
Committed for skate park	85,000	-	85,000
Assigned for subsequent year's expenditures	539,677	-	539,677
Unassigned	281,738	-	281,738
TOTAL FUND BALANCES	1,143,879	670,589	1,814,468
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,254,044	\$ 721,323	\$ 1,975,367

See accompanying notes to financial statements.

Township of Armada

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

March 31, 2017

Total fund balances - governmental funds \$ 1,814,468

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,151,609	
Accumulated depreciation is	<u>(2,599,186)</u>	
Capital assets, net		2,552,423

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Loan payable	(219,967)	
Accrued interest payable	<u>(7,249)</u>	
		<u>(227,216)</u>

Net position of governmental activities \$ 4,139,675

Township of Armada

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2017

	General Fund	Fire Fund	Total
REVENUES			
Taxes	\$ 208,424	\$ 725,819	\$ 934,243
Intergovernmental	312,369	98,577	410,946
Charges for services	67,404	313,595	380,999
Interest	4,839	993	5,832
Other	19,610	19,760	39,370
TOTAL REVENUES	612,646	1,158,744	1,771,390
EXPENDITURES			
Current			
General government	347,501	-	347,501
Public safety	102,659	1,227,072	1,329,731
Public works	80,514	-	80,514
Health and welfare	-	34,361	34,361
Recreation and culture	95,753	-	95,753
Debt service			
Principal retirement	-	27,526	27,526
Interest	-	8,178	8,178
Capital outlay	121,587	-	121,587
TOTAL EXPENDITURES	748,014	1,297,137	2,045,151
NET CHANGE IN FUND BALANCES	(135,368)	(138,393)	(273,761)
Fund balances, beginning of year	1,279,248	808,981	2,088,229
Fund balances, end of year	<u>\$ 1,143,880</u>	<u>\$ 670,588</u>	<u>\$ 1,814,468</u>

See accompanying notes to financial statements.

Township of Armada

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2017

Net change in fund balances - total governmental funds \$ (273,761)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 392,975	
Depreciation expense	(176,337)	
Loss on disposal of capital assets	<u>(21,159)</u>	
Excess of capital outlay over depreciation expense and loss on disposal of capital assets		195,479

Items resulting from the repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Debt repayment	27,526
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>929</u>
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Change in net position of governmental activities	\$ <u>(49,827)</u>
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Township of Armada
Fiduciary Funds
STATEMENT OF ASSETS AND LIABILITIES
March 31, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 2,293,458
LIABILITIES	
Due to other governmental units	\$ 2,209,034
Due to individuals and agencies	84,424
TOTAL LIABILITIES	\$ 2,293,458

See accompanying notes to financial statements.

Township of Armada

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Armada was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. The Township is governed by an elected five-member Board. The Township provides the following services as authorized by its charter: public safety (fire and building inspection), health and welfare (ambulance), public improvements, recreation, planning, and general administrative services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to the Township governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Township's more significant policies are described below:

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Township of Armada. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Armada contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the government as a whole. All non-fiduciary activities are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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 presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund accounts for revenues and expenditures of the fire department and advanced life support operations within the Township. Funding is generated through a local property tax millage.

The Township also reports agency funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The Township's agency funds are the Current Tax Collections Fund and the Trust and Agency Fund.

3. Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting - continued

Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed. If/when committed, assigned, and unassigned resources are available for use, it is the Township's policy to use committed resources first, then assigned resources, and unassigned resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets for General and Special Revenue Funds are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Budgets must be adopted for the General Fund and Special Revenue Funds.
- b) The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
- c) The budgets must be amended when necessary.
- d) Debt cannot be entered into unless permitted by law.
- e) Expenditures cannot exceed budget appropriations.
- f) Expenditures cannot be made unless authorized in the budget.
- g) Public hearings must be held before budget adoptions.

6. Cash, Cash Equivalents, and Investments

Cash consists of petty cash, checking and savings accounts. Cash equivalents consist of certificates of deposit with original maturities of ninety (90) days or less. Investments include certificates of deposit with original maturities of greater than ninety (90) days from the date of purchase. Deposits are recorded at cost.

7. Receivables

Receivables consist of amounts due from various individuals, governments, and businesses related to charges for services, amounts owed to the Township from special assessments, grants, and taxes levied that have not been collected.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Prepays

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in fund balance. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

9. Property Tax

The Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levy is due February 28. All taxes not paid by their due date are deemed delinquent. Delinquent real and personal property taxes are turned over to the Macomb County Treasurer on March 1 of the year following the levy. The Macomb County Treasurer remits payment to all taxing units on all delinquent real property taxes. Personal property payments are remitted to the Township when the County collects the delinquent property taxes still outstanding after March 1.

The Township is permitted to levy up to \$1 per \$1,000 of taxable valuation for general governmental service and additional amounts for fire and advanced life support operations. For the year ended March 31, 2017, the Township levied 0.7235 mills for general governmental services, 1.5000 mills for fire services, and 1.5000 mills for advanced life support services. The total taxable value for the 2016 levy for the property within the Township was \$292,712,090.

10. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$3,000 or more and an estimated useful life of more than one (1) year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Infrastructure	40 years
Buildings and improvements	20 to 40 years
Machinery, equipment, and furniture	3 to 20 years

11. Compensated Absences

The Township Fire Department has employment contracts which include paid holidays, vacation time, personal days, sick days and bereavement days for the full time employees. Each employee is allowed nine paid holidays, four personal days, four sick days, and three to five bereavement days per fiscal year (bereavement days are a minimum of three, but can be up to five days depending on distance to travel for services). Vacation time is awarded after one year of full time service. If the period of employment is between one and two years, they receive three vacation days; two to four years receive five vacation days, and five or more years receive seven days. All compensated absences are not cumulative and are forfeited if unused.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as liabilities in the government-wide financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: DEPOSITS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2017, the carrying amount of the Township's deposits was \$4,038,004 and the bank balance was \$4,193,734, of which \$1,014,359 was covered by federal depository insurance. The remaining balance of \$3,179,375 was uninsured and uncollateralized. The Township had \$24 of petty cash on hand as of March 31, 2017.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE B: DEPOSITS - CONTINUED

Deposits - continued

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2017, the Township did not have investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The deposits referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2017:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 1,642,550	\$ 2,293,458	\$ 3,936,008
Investments	102,020	-	102,020
	<u>\$ 1,744,570</u>	<u>\$ 2,293,458</u>	<u>\$ 4,038,028</u>

NOTE C: INTERNAL BALANCES

The following schedule details interfund receivables and payables at March 31, 2017:

Due to General Fund from:	
Fire Fund	<u>\$ 35,054</u>

Amounts appearing as interfund payables and receivables arise from three types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. A second type of transaction is where one fund provides a good or service to another fund.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE D: CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance April 1, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets not being depreciated				
Land	\$ 285,349	\$ -	\$ -	\$ 285,349
Construction in progress	-	125,179	-	125,179
Total capital assets not being depreciated	285,349	125,179	-0-	410,528
Capital assets being depreciated				
Infrastructure	366,516	-	-	366,516
Buildings and improvements	1,848,123	67,573	-	1,915,696
Machinery and equipment	2,487,752	162,208	(248,451)	2,401,509
Office furnishings	19,345	38,015	-	57,360
Total capital assets being depreciated	4,721,736	267,796	(248,451)	4,741,081
Less accumulated depreciation for:				
Infrastructure	(38,935)	(9,618)	-	(48,553)
Buildings and improvements	(922,190)	(45,584)	-	(967,774)
Machinery and equipment	(1,675,029)	(118,360)	227,292	(1,566,097)
Office furnishings	(13,987)	(2,775)	-	(16,762)
Total accumulated depreciation	(2,650,141)	(176,337)	227,292	(2,599,186)
Net capital assets being depreciated	2,071,595	91,459	(21,159)	2,141,895
Capital assets, net	\$ 2,356,944	\$ 216,638	\$ (21,159)	\$ 2,552,423

Depreciation expense was charged to the following governmental activities:

General government	\$ 13,957
Public safety	136,101
Public works	9,318
Recreation and culture	16,961
	<u>\$ 176,337</u>

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2017:

	Balance April 1, 2016	Additions	Deletions	Balance March 31, 2017	Amounts Due Within One Year
Loan payable	\$ 247,493	\$ -	\$ (27,526)	\$ 219,967	\$ 28,456

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$300,000 Loan payable dated April 24, 2013, due in annual installments of \$35,704 through April 24, 2023, with interest at 3.25 percent, payable annually.	\$ 219,967
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The annual requirements to pay the debt principal and interest outstanding for the loan are as follows:

Year Ending March 31,	Principal	Interest
2018	\$ 28,456	\$ 7,249
2019	29,393	6,311
2020	30,362	5,343
2021	31,350	4,354
2022	32,395	3,309
2023-2024	68,011	3,381
	<u>\$ 219,967</u>	<u>\$ 29,947</u>

NOTE F: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for auto, property, general, wrongful acts, electronic data processing (EDP), crime, inland marine, law enforcement, employee benefits, public officials, and casualty losses. Settled claims have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Township participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE G: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established 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. The following are the five (5) fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Township of Armada
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE G: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Township Board, the highest level of decision making authority of the Township.

For assigned fund balance, the Township has not adopted a policy indicating who is authorized to assign amounts to a specific purpose. As a result, the authority is retained by the Township Board.

For the classification of fund balances, the Township of Armada considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Township of Armada considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE H: CONSTRUCTION CODE ACTIVITY

In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to code enforcement. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. The following is a summary of the activity for the year ended March 31, 2017:

REVENUES

Licenses and permits
Building permits

\$ 59,795

EXPENDITURES

Construction code expenditures

79,849

Current year excess of revenues (under) expenditures

(20,054)

Prior cumulative excess of
revenues (under) expenditures

(211,853)

Cumulative excess of revenues
(under) expenditures

\$ (231,907)

Township of Armada

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE I: UPCOMING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and will clarify whether and how business-type activities should report their fiduciary activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*. This statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Armada
General Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 218,147	\$ 218,147	\$ 208,424	\$ (9,723)
Intergovernmental				
Federal	1,560	3,120	4,336	1,216
State	295,811	295,811	296,027	216
Local	10,531	10,531	12,006	1,475
Charges for services	58,700	63,700	67,404	3,704
Interest	2,300	2,040	4,839	2,799
Other	32,050	27,050	19,610	(7,440)
TOTAL REVENUES	619,099	620,399	612,646	(7,753)
EXPENDITURES				
Current				
General government				
Township board	82,116	83,116	73,214	9,902
Supervisor	42,356	42,356	35,272	7,084
Clerk	59,512	85,762	87,893	(2,131)
Board of review	1,762	1,762	1,449	313
Assessor	45,600	45,600	43,128	2,472
Treasurer	52,820	52,820	50,500	2,320
Elections	21,584	16,584	10,425	6,159
Building and grounds	14,445	19,445	16,185	3,260
Cemetery	2,500	2,500	1,837	663
Professional services	17,500	17,500	27,598	(10,098)
Total general government	340,195	367,445	347,501	19,944
Public safety				
Ordinance enforcement	4,867	4,867	4,515	352
Inspections	76,685	88,685	79,849	8,836
Planning and zoning	26,975	26,975	18,295	8,680
Total public safety	108,527	120,527	102,659	17,868

Township of Armada

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Refuse collection	\$ 63,626	\$ 63,626	\$ 63,523	\$ 103
Roads	45,000	25,000	16,991	8,009
Total public works	108,626	88,626	80,514	8,112
Recreation and culture	94,513	94,953	95,753	(800)
Capital outlay	285,000	276,000	121,587	154,413
TOTAL EXPENDITURES	936,861	947,551	748,014	199,537
NET CHANGE IN FUND BALANCE	(317,762)	(327,152)	(135,368)	191,784
Fund balance, beginning of year	1,279,248	1,279,248	1,279,248	-0-
Fund balance, end of year	<u>\$ 961,486</u>	<u>\$ 952,096</u>	<u>\$ 1,143,880</u>	<u>\$ 191,784</u>

Township of Armada

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 730,045	\$ 730,045	\$ 725,819	\$ (4,226)
Intergovernmental	190,000	190,000	98,577	(91,423)
Charges for services	193,500	193,500	313,595	120,095
Interest	500	500	993	493
Other	11,050	11,050	19,760	8,710
TOTAL REVENUES	1,125,095	1,125,095	1,158,744	33,649
EXPENDITURES				
Current				
Public safety	1,153,456	1,339,056	1,227,072	111,984
Health and welfare	51,260	40,660	34,361	6,299
Debt service				
Principal	28,000	28,000	27,526	474
Interest	8,000	8,000	8,178	(178)
Total debt service	36,000	36,000	35,704	296
TOTAL EXPENDITURES	1,240,716	1,415,716	1,297,137	118,579
NET CHANGE IN FUND BALANCE	(115,621)	(290,621)	(138,393)	152,228
Fund balance, beginning of year	808,981	808,981	808,981	-0-
Fund balance, end of year	\$ 693,360	\$ 518,360	\$ 670,588	\$ 152,228

Township of Armada

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2017

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The Township's budgeted expenditures in the General Fund and Fire Fund have been shown at the departmental level. The approved budgets of the Township have been adopted at the function level.

During the year ended March 31, 2017, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
Recreation and culture	\$ 94,953	\$ 95,753	\$ 800

OTHER SUPPLEMENTARY INFORMATION

Township of Armada

Fiduciary Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

March 31, 2017

	Agency Funds		
	Trust and Agency	Current Tax Collections	Total
ASSETS			
Cash and cash equivalents	\$ 79,586	\$ 2,213,872	\$ 2,293,458
LIABILITIES			
Due to other governmental units	\$ -	\$ 2,209,034	\$ 2,209,034
Due to individuals and agencies	79,586	4,838	84,424
TOTAL LIABILITIES	\$ 79,586	\$ 2,213,872	\$ 2,293,458

Township of Armada
SCHEDULE OF INDEBTEDNESS
March 31, 2017

Governmental Activities:

Capac State Bank - Fire Truck Installment Loan

Dated: April 24, 2013
Original Issue: \$300,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31, 2017</u>	<u>Remaining Annual Interest Payable</u>
3.25%	4/24/2017	\$ 28,456	\$ 7,249
3.25%	4/24/2018	29,393	6,311
3.25%	4/24/2019	30,362	5,343
3.25%	4/24/2020	31,350	4,354
3.25%	4/24/2021	32,395	3,309
3.25%	4/24/2022	33,463	2,242
3.25%	4/24/2023	34,548	1,139
		<u>\$ 219,967</u>	<u>\$ 29,947</u>