

Township of Armada

Macomb County, Michigan

Audited Financial Report
March 31, 2015

KING & KING CPAs LLC

Marlette - Imlay City - North Branch
Michigan

Township of Armada
Annual Financial Report
For The Fiscal Year Ended March 31, 2015

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Independent Auditor's Report

Members of the Township Board
Township of Armada
Macomb County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **Township of Armada**, Michigan as of and for the fiscal year ended March 31, 2015 and the related notes to the financial statement, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the **Township of Armada**, Michigan as of March 31, 2015, and the respective changes in financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and major fund budgetary comparison schedule, 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 supplemental 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Armada**, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 information is fairly stated in all material aspects in relation to the basic financial statements as a whole.

Lehn King

Lehn L. King, C.P.A.
KING & KING CPAs LLC

July 8, 2015

Township of Armada

Armada, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Armada, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2015. Please read it in conjunction with the Township's financial statements.

Using this 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 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.

Condensed Financial Information

The following table shows in a condensed format, the net position as of the current fiscal year. Comparative data of the prior audit's net position is included.

	Governmental Activities	
	3/31/2015	3/31/2014
Current Assets	\$ 1,925,663	\$ 1,602,841
Noncurrent Assets	2,211,911	2,284,207
Total Assets	4,137,574	3,887,048
Current Liabilities	78,049	71,066
Noncurrent Liabilities	247,493	274,181
Total Liabilities	325,542	345,247
Net Position:		
Invested in Capital Assets -		
Net of Related Debt	2,211,912	2,284,207
Restricted	622,710	324,775
Unrestricted	977,409	932,820
Total Net Position	\$ 3,812,031	\$ 3,541,802

Township of Armada

Armada, Michigan

Condensed Financial Information – Continued

The following table shows the changes of the net position during the current fiscal year:

	Governmental Activities	
	3/31/2015	3/31/2014
Revenues		
Program Revenues:		
Charges for Services	\$ 287,334	\$ 310,160
Grants & Contrib's	185,272	227,424
General Revenues:		
Property Taxes	915,382	434,796
State-Shared Revenues	284,704	275,020
Interest	10,880	13,475
Other Revenues	25,380	34,983
Total Revenues	<u>1,708,952</u>	<u>1,295,856</u>
Program Expenses		
General Government	\$ 294,156	\$ 250,106
Public Safety	1,038,989	1,052,100
Public Works	32,426	31,885
Recreation & Culture	64,136	46,789
Interest	9,016	-
Total Program Expenses	<u>1,438,723</u>	<u>1,380,880</u>
Change in Net Position	<u>\$ 270,229</u>	<u>\$ (85,024)</u>

The Township as a Whole

- The Township's Governmental Activities net position increased by \$270,229 this year. This compares to a net decrease of \$85,024 in the previous year. The primary cause of this increase was the passing of the ALS millage.
- The Township's primary source of revenue is from property taxes, charges for services and state-shared revenues, which represent 87% of total revenue.

Township of Armada

Armada, Michigan

The Township's Funds

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township's major funds for the fiscal year ending March 31, 2015, include the General Fund and Fire Fund.

General Fund Budgetary Highlights

The Township made amendments to the budget throughout the year to cover the expenditures incurred.

Capital Asset and Debt Administration

During the fiscal year ended March 31, 2015, the Township Fire Fund purchased a portable pump for \$2,980 and fire hoses for \$22,836. The General Fund purchased and installed an additional warning siren in the Township for \$20,400 and park playground equipment for \$35,544. For the Senior Center, the General Fund replaced a sidewalk for \$6,490 and installed an automatic door for \$4,500. The Township received grants for most of these purchases. Additional information regarding the Township's capital assets can be found in Note 4 to the financial statements.

The Township paid \$25,819 on existing long-term debt. The Township did not incur any new long-term debt in the fiscal year ended March 31, 2015. Additional information regarding the Township's long-term debt can be found in Note 6 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.

Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate 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.

Township of Armada

Statement of Net Position

March 31, 2015

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 1,278,077
Accounts Receivable	125,142
Grant Receivable	10,160
Prepaid Expenses	5,791
Due From Other Funds (Net)	506,493
Capital Assets	
Nondepreciable Capital Assets	285,349
Net Depreciable Capital Assets	<u>1,926,563</u>
<u>Total Assets</u>	<u>4,137,574</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Accounts Payable	31,418
Accrued Wages & Taxes	10,927
Accrued Interest Payable	9,016
Current Portion of Long-Term Debt	26,688
Noncurrent Liabilities:	
Long-Term Debt	<u>247,493</u>
<u>Total Liabilities</u>	<u>325,542</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Invested in Capital Assets - Net of Related Debt	2,211,912
Restricted:	
Restricted - Public Safety	622,710
Unrestricted	<u>977,409</u>
<u>Total Net Position</u>	<u>\$ 3,812,031</u>

The notes are an integral part of the statements.

Township of Armada

Statement of Activities

For The Fiscal Year Ended March 31, 2015

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Governmental Activities	
Functions/Programs						
Primary Government:						
Governmental Activities:						
General Government	\$ 294,156	\$ -	\$ -	\$ -	\$ (294,156)	
Public Safety	1,038,989	287,334	160,267	-	(591,389)	
Public Works	32,426	-	-	-	(32,426)	
Recreation & Culture	64,136	-	25,005	-	(39,131)	
Interest	9,016	-	-	-	(9,016)	
Total Governmental Activities	1,438,723	287,334	185,272	-	(966,117)	
General Revenues:						
Property Taxes					\$ 915,382	
Intergovernmental Revenues					284,704	
Interest					10,880	
Other Revenues					25,380	
Transfers					-	
Total General Revenues, Special Items & Transfers					1,236,347	
Change in Net Position					270,229	
Net Position - Beginning of Year					3,541,802	
Net Position - End of Year					\$ 3,812,031	

The notes are an integral part of the statements.

Township of Armada

Governmental Funds
Balance Sheet
March 31, 2015

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
<u>Assets & Deferred Outflows of Resources</u>			
<u>Assets</u>			
Cash & Cash Equivalents	\$ 904,461	\$ 373,616	\$ 1,278,077
Accounts Receivable	40,701	46,231	86,932
Property Taxes Receivable	7,424	30,786	38,210
Grant Receivable	-	10,160	10,160
Prepaid Expenses	-	5,791	5,791
Due From Other Funds	338,776	367,274	706,050
	<u>1,291,362</u>	<u>833,857</u>	<u>2,125,219</u>
<u>Total Assets</u>	<u>1,291,362</u>	<u>833,857</u>	<u>2,125,219</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Assets & Deferred Outflows</u>	<u>\$ 1,291,362</u>	<u>\$ 833,857</u>	<u>\$ 2,125,219</u>
<u>Liabilities, Deferred Inflows & Fund Equity</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 19,828	\$ 11,590	\$ 31,418
Accrued Wages & Payroll Taxes	10,927	-	10,927
Due To Other Funds	-	199,557	199,557
	<u>30,755</u>	<u>211,147</u>	<u>241,903</u>
<u>Total Liabilities</u>	<u>30,755</u>	<u>211,147</u>	<u>241,903</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Equity</u>			
Fund Balances:			
Nonspendable - Prepaids	-	5,791	5,791
Restricted For:			
Public Safety	-	616,919	616,919
Committed For:			
Township Hall Improvement	251,377	-	251,377
Unassigned	1,009,230	-	1,009,230
	<u>1,260,606</u>	<u>622,710</u>	<u>1,883,316</u>
<u>Total Fund Equity</u>	<u>1,260,606</u>	<u>622,710</u>	<u>1,883,316</u>
<u>Total Liab., Def. Inflows & Fund Equity</u>	<u>\$ 1,291,362</u>	<u>\$ 833,857</u>	<u>\$ 2,125,219</u>

The notes are an integral part of the statements.

Township of Armada
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Position
For The Fiscal Year Ended March 31, 2015

Total Fund Balances for Governmental Funds	\$ 1,883,316
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds.	2,211,912
Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds.	(274,181)
Accrued Interest Payable is not reported in the Funds	<u>(9,016)</u>
Net Position of Governmental Activities	<u><u>\$ 3,812,031</u></u>

The notes are an integral part of the statements.

Township of Armada
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For The Fiscal Year Ended March 31, 2015

	General Fund	Fire Fund	Total Governmental Funds
<u>Revenues</u>			
Property Taxes	\$ 213,338	\$ 702,044	\$ 915,382
Intergovernmental Revenues	284,704	-	284,704
Charges for Services	33,543	253,792	287,334
Grant Proceeds	25,005	160,267	185,272
Interest Earnings	9,317	1,564	10,880
Other Revenues	12,564	12,817	25,380
<u>Total Revenues</u>	<u>578,470</u>	<u>1,130,483</u>	<u>1,708,953</u>
<u>Expenditures</u>			
General Government	283,967	-	283,967
Public Safety	135,065	771,027	906,092
Public Works	19,560	-	19,560
Recreation & Culture	55,043	-	55,043
Debt Service - Principal	-	25,819	25,819
Debt Service - Interest	-	9,885	9,885
Capital Outlay	66,934	25,816	92,750
<u>Total Expenditures</u>	<u>560,569</u>	<u>832,547</u>	<u>1,393,116</u>
Excess of Revenues Over (Under) Expenditures	17,901	297,935	315,837
<u>Other Financing Sources (Uses)</u>			
Loans Proceeds	-	-	-
Transfers In (Out)	-	-	-
Net Change in Fund Balances	17,901	297,935	315,837
<u>Fund Balances - Beginning of Year</u>	<u>1,242,705</u>	<u>324,775</u>	<u>1,567,480</u>
<u>Fund Balances - End of Year</u>	<u>\$ 1,260,606</u>	<u>\$ 622,710</u>	<u>\$ 1,883,316</u>

The notes are an integral part of the statements.

Township of Armada
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Fiscal Year Ended March 31, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 315,837
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures. In the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation.	92,750
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Interest Expense is reported in the Statement of Activities when a liability is incurred; they are reported in the Governmental Funds only when payment is due.	869
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Repayment of Loan Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces long-term debt).	25,819
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Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds.	<u>(165,046)</u>
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Change in Net Position of Governmental Activities	<u>\$ 270,229</u>
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Township of Armada
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities - Agency Fund
March 31, 2015

	<u>Fiduciary Fund Types</u>		
	<u>Agency Funds</u>		
	<u>Trust & Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Totals March 31, 2015</u>
<u>Assets</u>			
Cash - Savings & Certificates	\$ 83,560	\$ 2,672,467	\$ 2,756,027
Due From General Fund	-	-	-
Due From Others	-	-	-
<u>Total Assets</u>	<u>\$ 83,560</u>	<u>\$ 2,672,467</u>	<u>\$ 2,756,027</u>
<u>Liabilities</u>			
Due To Other Funds	\$ 7,953	\$ 498,540	\$ 506,493
Due To Other Governmental Units	-	2,173,739	2,173,739
Due To Others	75,607	188	75,795
<u>Total Liabilities</u>	<u>\$ 83,560</u>	<u>\$ 2,672,467</u>	<u>\$ 2,756,027</u>

The notes are an integral part of the statements.

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the **Township of Armada** (the primary government) and its component units. There are no component units to be included in these financial statements as defined by generally accepted accounting principles.

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 Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separate from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - The General Fund 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 Fund - The Fire Fund accounts for the Township's fire operating activity.

Additionally, the Township reports the following fund types:

Trust & Agency Fund - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations or other governments.

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

Due To and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - 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.

The Township's 2014 tax is levied and collectible on July 1, 2014, and is recognized as revenue in the fiscal year ended March 31, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2014 taxable valuation of the Township totaled about \$295 million, on which taxes levied consisted of .7235 mills for operating purposes, 1.5000 mills for fire protection, and 1.5000 mills for advanced life support (taxes are not levied on personal property for the fire protection millage). This resulted in approximately \$208,000 for operating, \$266,000 for fire protection and \$431,000 for advanced life support. These amounts are recognized in the General Fund and Fire Fund financial statements as tax revenue.

Vacation, Sick Leave and Other 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 five paid holidays, four personal days, three 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 the Financial Statements
For The Fiscal Year Ended March 31, 2015

1. Summary of Significant Accounting Policies – Continued

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$3,000 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Balance Classification - In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation to use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the board; and assigned fund balance for constraints placed on resources by the Township's intent to be used for specific purposes.

- For *committed* fund balances, the Township's highest level of decision-making authority is the Board and it takes a Board's resolution to establish a fund balance commitment.
- For *assigned* fund balances, the Board can authorize to assign amounts to a specific purpose through a motion.
- The Township's policy is that the restricted amounts are considered to have been spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.
- The Township's policy is if it has *committed*, *assigned*, or *unassigned* fund balance available when it incurs expenditure it will use the fund balance in the order of committed, assigned and then unassigned.
- The Township does not have a policy with respect to a minimum fund balance.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

2. Stewardship, Compliance and Accountability

Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the fiscal year ended March 31, 2015, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
NONE			

State Construction Code Act – The Township tracks the results of building department operations in the General Fund. 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 the building department function. As required under the provision of the Act, the Township adopted this accounting treatment effective January 1, 2000. The results of building department operations for the fiscal year ended March 31, 2015, are as follows:

Accumulated Expenditures over Revenues - April 1, 2014		\$ (177,560)
Current Year Building Permit Revenue	\$ 29,216	
Current Year Expenditures	<u>50,100</u>	
Current Year Excess of Expenditures over Revenue		<u>(20,884)</u>
Accumulated Expenditures over Revenues - March 31, 2015		<u><u>\$ (198,444)</u></u>

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At the fiscal year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash & Cash Equivalents	\$ 1,278,077	\$ 2,756,027	\$ 4,034,104

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 4,034,104

The bank balance of the primary government's deposits is \$4,034,104, of which \$1,028,500 is covered by depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name. Of the insured deposits, \$747,150 is insured by the FDIC and \$281,350 is insured by NCUA.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At the fiscal year end, the Township had approximately \$3,005,604 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC and NCUA 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 commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At the fiscal year end, there were no investments reported in the basic financial statements.

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

4. Capital Assets

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

	<u>Balance</u> <u>April 1, 2014</u>	<u>Additions</u>	<u>Disposals &</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2015</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 285,349	\$ -	\$ -	\$ 285,349
Capital Assets Being Depreciated:				
Infrastructure	\$ 304,435	\$ 6,490	\$ -	\$ 310,925
Buildings & Improvements	1,689,858	4,500	-	1,694,358
Machinery & Equipment	2,329,460	81,760	-	2,411,220
Office Furnishings	13,560	-	-	13,560
Subtotal	<u>4,337,313</u>	<u>92,750</u>	<u>-</u>	<u>4,430,063</u>
Accumulated Depreciation:				
Infrastructure	21,526	8,120	-	29,646
Buildings & Improvements	859,505	41,507	-	901,012
Machinery & Equipment	1,444,670	115,204	-	1,559,874
Office Furnishings	12,754	215	-	12,968
Subtotal	<u>2,338,455</u>	<u>165,046</u>	<u>-</u>	<u>2,503,501</u>
Net Capital Assets Being Depreciated	\$ 1,998,857	\$ (72,296)	\$ -	\$ 1,926,562
Net Capital Assets	<u>\$ 2,284,206</u>	<u>\$ (72,296)</u>	<u>\$ -</u>	<u>\$ 2,211,911</u>

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

Governmental Activities:	
General Government	\$ 10,189
Public Safety	132,898
Public Works	12,866
Recreation & Culture	9,093
Total Governmental Activities	<u>\$ 165,046</u>

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

5. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>	
General Fund	\$ 131,188	Current Tax Fund	\$ 131,188	(1)
General Fund	199,537	Fire Fund	199,537	(2)
General Fund	7,953	Trust & Agency Fund	7,953	(3)
Fire Fund	<u>367,274</u>	Current Tax Fund	<u>367,274</u>	(1)
Total	<u>\$ 705,952</u>		<u>\$ 705,952</u>	

- (1) - Property taxes collected that had not been transferred.
- (2) - \$102,000 from the ambulance purchased in the fiscal year ending March 31, 2014. The remaining portion is an accumulation of unreimbursed expenses.
- (3) - Residual balance remaining in the Trust and Agency Fund for forfeited bonds.

6. Long -Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment Loan - 2014 Fire Truck						
Original Issue - \$300,000		\$25,819 -				
Maturing through 4/24/2023	3.25%	\$34,566	<u>\$ 300,000</u>	<u>\$ (25,819)</u>	<u>\$ 274,181</u>	<u>\$ 26,688</u>
Total Governmental Activities			<u>\$ 300,000</u>	<u>\$ (25,819)</u>	<u>\$ 274,181</u>	<u>\$ 26,688</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 26,688	\$ 9,016	\$ 35,704
2017	27,526	8,178	35,704
2018	28,456	7,249	35,705
2019	29,393	6,311	35,704
2020	30,362	5,343	35,705
2021-2024	<u>131,756</u>	<u>11,044</u>	<u>142,800</u>
Total	<u>\$ 274,181</u>	<u>\$ 47,141</u>	<u>\$ 321,322</u>

7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

NONE

Township of Armada
Notes to the Financial Statements
For The Fiscal Year Ended March 31, 2015

8. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

9. New Accounting Standards

For the fiscal year ended March 31, 2015, the Township implemented the following new pronouncements:

GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB 65 – *Items previously reported as Assets and Liabilities*.

Summary:

These statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The implementation of these standards did not require a restatement of the Township's beginning year net position.

10. Subsequent Events

As of July 8, 2015, there were no subsequent events which have a material effect on the financial statements.

Required Supplemental Information

Township of Armada
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended March 31, 2015

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 218,686	\$ 218,686	\$ 213,338	\$ (5,348)
State Shared Revenues	278,549	278,549	284,704	6,155
Charges for Services	29,150	29,150	33,543	4,393
Grant Proceeds	29,490	29,490	25,005	(4,485)
Interest Earnings	3,990	3,990	9,317	5,327
Other Revenues	29,800	29,800	12,564	(17,236)
<u>Total Revenues</u>	589,665	589,665	578,470	(11,195)
<u>Expenditures</u>				
General Government				
Township Board	94,818	94,818	79,958	14,860
Supervisor	29,936	29,936	28,117	1,819
Elections	14,415	14,415	9,699	4,716
Assessor	42,300	42,700	39,611	3,089
Professional Services	14,000	21,000	17,871	3,129
Clerk	51,134	51,134	49,531	1,603
Board of Review	1,752	1,752	1,292	459
Treasurer	41,648	41,648	39,240	2,408
Township Hall Expense	19,892	20,592	17,197	3,395
Cemetery Maintenance	2,500	2,500	1,450	1,050
Total General Government	312,396	320,496	283,967	36,529
Public Safety				
Code Enforcement	4,662	4,662	4,654	8
Protective Inspections	50,337	52,987	50,100	2,887
Planning & Zoning	24,557	30,507	29,830	677
Refuse Collection	60,053	60,053	50,481	9,572
Total Public Safety	139,609	148,209	135,065	13,144
Public Works				
Road Maintenance	26,000	20,050	19,560	490
Engineering	17,500	17,500	-	17,500
Total Public Works	43,500	37,550	19,560	17,990
Recreation & Culture	144,965	134,215	55,043	79,172
Capital Outlay	494,500	494,500	66,934	427,566
<u>Total Expenditures</u>	1,134,969	1,134,969	560,569	574,400
Excess of Revenues Over (Under) Expenditures	(545,304)	(545,304)	17,901	563,205
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out	(545,304)	(545,304)	17,901	563,205
<u>Fund Balance - Beginning of Year</u>	1,028,706	1,028,706	1,242,705	213,999
<u>Fund Balance - End of Year</u>	\$ 483,402	\$ 483,402	\$ 1,260,606	\$ 777,204

Township of Armada
Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Fund - Fire Fund
For The Fiscal Year Ended March 31, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 272,974	\$ 703,082	\$ 702,044	\$ (1,038)
Charges For Services	162,500	162,500	253,792	91,292
Grant Proceeds	165,000	165,000	160,267	(4,733)
Interest Earnings	2,000	2,000	1,564	(436)
Other Revenues	13,300	13,300	12,817	(483)
<u>Total Revenues</u>	<u>615,774</u>	<u>1,045,882</u>	<u>1,130,483</u>	<u>84,601</u>
<u>Expenditures</u>				
Public Safety - Fire Department	799,915	798,815	708,968	89,847
Public Safety - Ambulance Services	71,500	71,100	62,059	9,041
Debt Service - Principal	26,000	26,000	25,819	181
Debt Service - Interest	10,000	10,000	9,885	115
Capital Outlay	71,500	73,000	25,816	47,184
<u>Total Expenditures</u>	<u>978,915</u>	<u>978,915</u>	<u>832,547</u>	<u>146,368</u>
Excess of Revenues Over (Under) Expenditures	(363,141)	66,967	297,935	230,969
<u>Other Financing Sources</u>				
Loan Proceeds	-	-	-	-
Operating Transfers In (Out)	-	-	-	-
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(363,141)	66,967	297,935	230,969
<u>Fund Balance - Beginning of Year</u>	<u>682,647</u>	<u>682,647</u>	<u>324,775</u>	<u>(357,872)</u>
<u>Fund Balance - End of Year</u>	<u>\$ 319,506</u>	<u>\$ 749,614</u>	<u>\$ 622,710</u>	<u>\$ (126,904)</u>

Other Supplemental Information

Township of Armada
Other Supplemental Information
Schedule of Indebtedness
March 31, 2015

Governmental Activities:

**Capac State Bank - Fire Truck
Installment Contract**

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

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2015</u>	<u>2014</u>	
3.25%	4/24/2014	\$ -	\$ 25,819	\$ -
3.25%	4/24/2015	26,688	26,688	9,016
3.25%	4/24/2016	27,526	27,526	8,178
3.25%	4/24/2017	28,456	28,456	7,249
3.25%	4/24/2018	29,393	29,393	6,311
3.25%	4/24/2019	30,362	30,362	5,343
3.25%	4/24/2020	31,350	31,350	4,354
3.25%	4/24/2021	32,395	32,395	3,309
3.25%	4/24/2022	33,463	33,463	2,242
3.25%	4/24/2023	34,548	34,548	1,139
<u>Total General Obligation Bond</u>		<u>\$ 274,181</u>	<u>\$ 300,000</u>	<u>\$ 47,141</u>