



Heart of the Inland Waterway

TOWNSHIP OF TUSCARORA, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

GABRIDGE & CO

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	24
Component Units	
Combining Statement of Net Position	25
Combining Statement of Activities	26
Notes to the Financial Statements	28
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Police	50
Schedule of Changes in Net Pension Liability and Related Ratios	51
Schedule of Contributions	52
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
Combining and Individual Fund Statements	
Component Unit - Indian River Library	
Statement of Net Position	54
Statement of Activities	55
Balance Sheet	56
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	57
Statement of Revenues, Expenditures, and Changes in Fund Balance	58
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	59
Component Unit - DDA	
Statement of Net Position	60
Statement of Activities	61
Balance Sheet	62
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	63
Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	65

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Tuscarora, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora, Michigan (the "Township") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
December 9, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Township of Tuscarora, Michigan (The “Township” or “government”) we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,280,608 (net position). Of this amount, \$2,085,809 represents unrestricted net position, which may be used to meet the government’s ongoing obligations to citizens and creditors.
- The Township’s total net position decreased \$40,858 during the year. Revenues showed an increase across all Township funds during the year of \$297,233 and expenses for the Township increased by \$204,208 from the prior fiscal year.
- At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$1,310,905, a decrease of \$26,042 in comparison with the prior year. Approximately 42.6% of this amount, or \$557,825, is available for spending at the government’s discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$557,825, or approximately 50.3% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township’s assets, deferred outflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and accrued interest on long-term debt).

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

The government-wide financial statements include not only the Township itself (known as the primary government), but also the legally separate Downtown Development Authority (“DDA”) and Indian River Area Library (“Library”), for which the Township is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself. Financial statements for the DDA and Library can be located in the other supplemental information section of this report.

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

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

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

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the police fund, which are considered to be major funds. Data from the 2016 special assessment bonds debt retirement is presented as a separate column as it is considered a nonmajor fund.

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

Proprietary Funds. The Township maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprises funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer operations. The sewer fund is considered to be a major fund of the Township.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules and the Townships pension plan schedules.

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,280,608, at the close of the most recent fiscal year.

Township of Tuscarora's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 1,338,267	\$ 1,359,285	\$ 223,692	\$ 255,853	\$ 1,561,959	\$ 1,615,138
Accounts Receivable	3,033	1,137	43,893	37,712	46,926	38,849
Due from Other Governments	45,426	44,902	-	-	45,426	44,902
Special Assessments, Current Portion	19,965	17,804	42,233	55,813	62,198	73,617
Total Current Assets	1,406,691	1,423,128	309,818	349,378	1,716,509	1,772,506
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	386,505	410,719	386,505	410,719
Special Assessments	15,722	37,311	1,917,527	1,946,180	1,933,249	1,983,491
Capital Assets, Net	3,466,550	3,260,365	5,796,894	5,926,695	9,263,444	9,187,060
Total Assets	4,888,963	4,720,804	8,410,744	8,632,972	13,299,707	13,353,776
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	228,456	125,063	-	-	228,456	125,063
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	36,489	34,456	18,037	23,465	54,526	57,921
Payroll Liabilities	36,590	30,421	-	-	36,590	30,421
Accrued Interest Payable	195	286	9,170	9,446	9,365	9,732
Current Portion of Long-term Debt	21,000	21,000	63,000	63,000	84,000	84,000
Internal Balances	2,742	3,500	(2,742)	(3,500)	-	-
Total Current Liabilities	97,016	89,663	87,465	92,411	184,481	182,074
<i>Noncurrent Liabilities</i>						
Compensated Absences	29,677	27,001	-	-	29,677	27,001
Long-term Debt	24,000	45,000	2,033,000	2,096,000	2,057,000	2,141,000
Net Pension Liability	913,163	700,214	-	-	913,163	700,214
Total Liabilities	1,063,856	861,878	2,120,465	2,188,411	3,184,321	3,050,289
DEFERRED INFLOWS						
Pension Related Deferred Inflows	63,234	107,084	-	-	63,234	107,084
NET POSITION						
Net Investment in Capital Assets	3,421,550	3,260,365	3,767,695	3,767,695	7,189,245	7,028,060
Restricted	619,049	606,500	386,505	410,719	1,005,554	1,017,219
Unrestricted	(50,270)	10,040	2,136,079	2,266,147	2,085,809	2,276,187
Total Net Position	\$ 3,990,329	\$ 3,876,905	\$ 6,290,279	\$ 6,444,561	\$ 10,280,608	\$ 10,321,466

A portion of the Township's net position, \$7,189,245, or 69.9 percent, reflects its investment in capital assets (e.g., land and land improvements, buildings and improvements, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position, \$1,005,554, or 9.8 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance

of \$2,085,809, or 20.3 percent, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

A summary of significant changes between June 30, 2018 and June 30, 2019 are as follows:

- Cash and cash equivalents, including restricted cash, decreased by a net total of \$77,393. The change is attributable to capital asset purchase made throughout the year.
- The Township's capital assets increased by \$76,384 during the current year. This consisted of capital asset purchases of \$428,541, depreciation expense of \$346,589, and net disposal of capital assets of \$5,568.
- Net pension liability increased by \$212,949 during the current year along with an increase in related deferred outflows of resources by \$103,393 and a decrease in related deferred inflows of resources by \$43,850. These were all related to market conditions within the plan assets.

Governmental Activities. There were significant fluctuations in governmental activities revenues and expenses in the current year, governmental activities net position, in total, changed from the prior year increasing by \$113,424. A notable component of this change is the decrease in unrestricted net position. Township's unrestricted net position decreased by \$60,310 from a positive balance of \$10,040 to a deficit balance of \$(50,270). Significant events leading to this change are highlighted as follows:

- Charges for services increased by \$64,718, being mostly attributable to the police fund having a new contract with a local school for an officer. Operating grants and contributions increased by \$222,057 as a result of the Township receiving large contributions from residents for the building of a new ice rink roof. The Township's taxable value increased by 3.5% resulting in an increase in property tax revenue of \$30,008.
- Public safety expenses increased by \$110,240 due to the increase in net pension liability and the changes in the related deferrals. Public works expenses increased by \$30,689 largely due to increased activity at the airport and a need for additional supplies and small equipment. Recreation and culture related expenses increased by \$47,003 as there was an increase in parks and recreation activity leading to increased salaries and wages, expenses related to kayak lunch, and small equipment and supplies needed for other minor projects.

Business-type Activities. Business-type activities decreased the Township's net position by \$154,282. Overall expenses increased from \$374,436 during 2018 to \$361,703 in 2019 while revenues decreased from \$237,706 to \$207,421.

Significant events impacting revenues and expenses of the business-type activities during the year include:

- Sewer fund charges for services decreased from \$148,743 in the previous year to \$124,325 in the current year mostly due to significantly less new hook-up fee revenues generated during 2019.
- Expenses related to the sewer system operation decreased from \$316,384 to \$305,305 during the current year.

Township of Tuscarora's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenues						
Charges for Services	\$ 156,086	\$ 91,368	\$ 125,022	\$ 161,529	\$ 281,108	\$ 252,897
Operating Grants and Contributions	268,126	46,069	8,000	-	276,126	46,069
Total Program Revenues	424,212	137,437	133,022	161,529	557,234	298,966
General Revenues						
Property Taxes	1,423,269	1,393,261	-	-	1,423,269	1,393,261
Intergovernmental	262,248	250,932	-	-	262,248	250,932
Interest Income	6,572	7,153	74,399	76,177	80,971	83,330
Total General Revenues	1,692,089	1,651,346	74,399	76,177	1,766,488	1,727,523
Total Revenues	2,116,301	1,788,783	207,421	237,706	2,323,722	2,026,489
Expenses						
General Government	352,154	323,940	-	-	352,154	323,940
Public Safety	1,209,960	1,099,720	-	-	1,209,960	1,099,720
Public Works	67,625	36,936	361,703	374,436	429,328	411,372
Community and Economic Development	-	220	-	-	-	220
Recreation and Culture	369,921	322,918	-	-	369,921	322,918
Interest on Long-term Debt	1,649	2,202	-	-	1,649	2,202
Loss on Sale of Asset	1,568	-	-	-	1,568	-
Total Expenses	2,002,877	1,785,936	361,703	374,436	2,364,580	2,160,372
Change in Net Position						
Net Position at the Beginning of Period	113,424	2,847	(154,282)	(136,730)	(40,858)	(133,883)
Net Position at the End of Period	3,876,905	3,874,058	6,444,561	6,581,291	10,321,466	10,455,349
	\$ 3,990,329	\$ 3,876,905	\$ 6,290,279	\$ 6,444,561	\$ 10,280,608	\$ 10,321,466

Financial Analysis of Governmental Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2019, the Township's governmental funds reported combined fund balances of \$1,310,905 a decrease of \$26,042 in comparison with the prior year. Approximately 42.6% of this amount, \$557,825, constitutes *unassigned fund balance*, which is available for spending at the

government's discretion. The remainder of the fund balance is either *nonspendable, assigned, or restricted* to indicate that it is: 1) restricted for particular purposes \$619,049 (47.2%) or 2) assigned for particular purposes, \$134,031 or 10.2%.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$557,825. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 50.3 percent of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$26,663 during the current fiscal year. The explanations for the change was provided in an earlier section of this report.

The police fund, a major fund, had a \$1,075 increase in fund balance during the current fiscal year which put the overall fund balance at \$467,178. The explanations for the change was provided in an earlier section of this report.

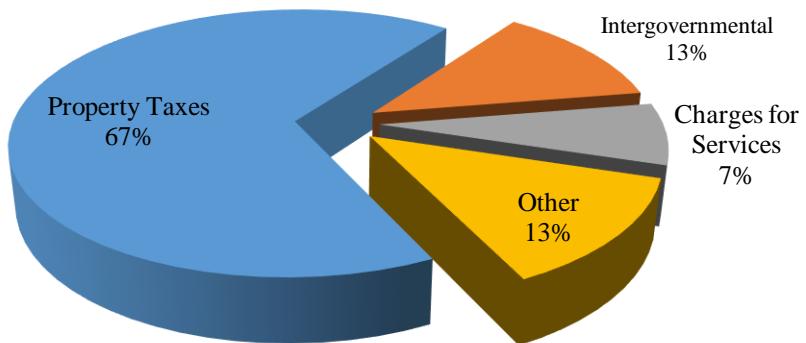
Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$2,136,079 for the sewer fund. The decrease in net position was \$154,282 for the sewer fund. A summary of the changes in the sewer fund net position can be found in the business-type activities paragraph found earlier in this report.

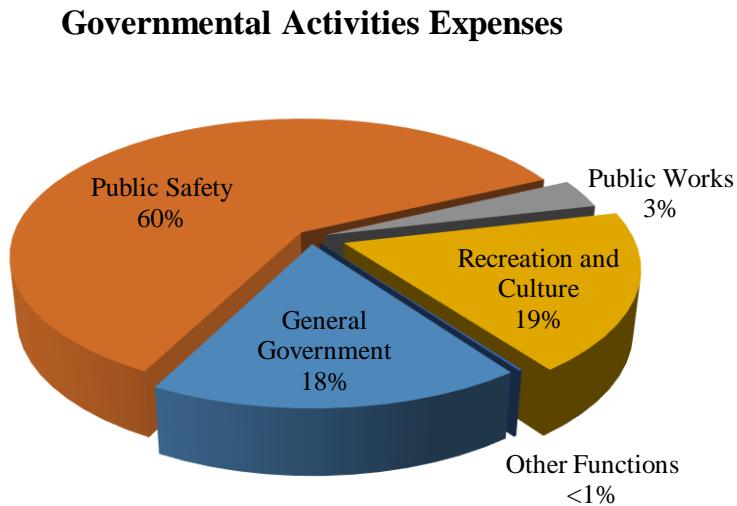
Governmental Activities

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

Governmental Activities Revenues



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



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was a need to adjust expenditures in the final budget to allow for additional expenditures in the airport and boat launch purchases in the parks department.

Final budget compared to actual results. The Township had no expenditures in excess of the amounts appropriated during the year ended June 30, 2019.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$9,263,444 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery, equipment, vehicles, park facilities, and sewer infrastructure.

More detailed information about the Township's capital assets can be found in Note 4.

Long-term Debt

As described in Note 6 to the financial statements, the Township had \$2,141,000 in long-term debt at the end of the fiscal year. The Township is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that \$954,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Township continues to review all budget line items for

opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2020, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Township of Tuscarora
3546 S Straits Highway
Indian River, MI 49749

Basic Financial Statements

Township of Tuscarora
Statement of Net Position
June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total		
ASSETS					
<i>Current Assets</i>					
Cash and Cash Equivalents	\$ 1,338,267	\$ 223,692	\$ 1,561,959	\$ 613,188	
Accounts Receivable	3,033	43,893	46,926	17,891	
Due from Other Governments	45,426	--	45,426	--	
Special Assessments	19,965	42,233	62,198	--	
Total Current Assets	1,406,691	309,818	1,716,509	631,079	
<i>Noncurrent Assets</i>					
Capital Assets not Being Depreciated	1,383,282	178,618	1,561,900	--	
Capital Assets Being Depreciated, Net	2,083,268	5,618,276	7,701,544	842,049	
Restricted Cash	--	386,505	386,505	--	
Investments - Endowment	--	--	--	5,675	
Special Assessments	15,722	1,917,527	1,933,249	--	
Total Assets	4,888,963	8,410,744	13,299,707	1,478,803	
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	228,456	--	228,456	--	
Total Deferred Outflows of Resources	228,456	--	228,456	--	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	36,489	18,037	54,526	3,925	
Payroll Liabilities	36,590	--	36,590	1,638	
Accrued Interest	195	9,170	9,365	--	
Current Portion of Long-term Debt	21,000	63,000	84,000	--	
Internal Balances	2,742	(2,742)	--	--	
Total Current Liabilities	97,016	87,465	184,481	5,563	
<i>Noncurrent Liabilities</i>					
Net Pension Liability	913,163	--	913,163	--	
Compensated Absences	29,677	--	29,677	--	
Long-term Debt	24,000	2,033,000	2,057,000	--	
Total Liabilities	1,063,856	2,120,465	3,184,321	5,563	
DEFERRED INFLOWS OF RESOURCES					
Pension Related	63,234	--	63,234	--	
Total Deferred Inflows of Resources	63,234	--	63,234	--	
NET POSITION					
Net Investment in Capital Assets	3,421,550	3,767,695	7,189,245	842,049	
<i>Restricted for:</i>					
Nonspendable Endowment	--	--	--	5,675	
Debt Service	82,296	--	82,296	--	
Repair, Replacement, Improvement	--	54,603	54,603	--	
Additional Residential Equivalent Units	--	331,902	331,902	--	
Police	467,178	--	467,178	--	
Fire Protection	1,105	--	1,105	--	
Boat Launch Fees	68,470	--	68,470	--	
Unrestricted	(50,270)	2,136,079	2,085,809	625,516	
Total Net Position	\$ 3,990,329	\$ 6,290,279	\$ 10,280,608	\$ 1,473,240	

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

Township of Tuscarora
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
Primary Government									
Governmental Activities:									
General Government	\$ 352,154	\$ 15,240	\$ 6,510	\$ --	\$ (330,404)	\$ --	\$ (330,404)	\$ --	
Public Safety	1,209,960	95,779	12,193	--	(1,101,988)	--	(1,101,988)	--	
Public Works	67,625	8,503	--	--	(59,122)	--	(59,122)	--	
Recreation and Culture	369,921	36,564	249,423	--	(83,934)	--	(83,934)	--	
Interest on Long-term Debt	1,649	--	--	--	(1,649)	--	(1,649)	--	
Loss on Sale of Asset	1,568	--	--	--	(1,568)	--	(1,568)	--	
<i>Total Governmental Activities</i>	2,002,877	156,086	268,126	--	(1,578,665)	--	(1,578,665)	--	
Business-type Activities:									
Sewer	361,703	125,022	8,000	--	--	(228,681)	(228,681)	--	
<i>Total Business-type Activities</i>	361,703	125,022	8,000	--	--	(228,681)	(228,681)	--	
Total Primary Government	\$ 2,364,580	\$ 281,108	\$ 276,126	\$ --	\$ (1,578,665)	\$ (228,681)	\$ (1,807,346)	--	
Component Units									
DDA	\$ 114,632	\$ 16,651	\$ --	\$ --	--	--	--	(97,981)	
Indian River Area Library	136,758	2,991	34,101	--	--	--	--	(99,666)	
<i>Total Component Units</i>	\$ 251,390	\$ 19,642	\$ 34,101	\$ --	--	--	--	(197,647)	
General Purpose Revenues:									
Intergovernmental				262,248	--	262,248	20,236		
Property Taxes				1,423,269	--	1,423,269	151,805		
Interest Income				6,572	74,399	80,971	3,301		
<i>Total General Revenues</i>				1,692,089	74,399	1,766,488	175,342		
<i>Change in Net Position</i>				113,424	(154,282)	(40,858)	(22,305)		
<i>Net Position at Beginning of Period</i>				3,876,905	6,444,561	10,321,466	1,495,545		
<i>Net Position at End of Period</i>				\$ 3,990,329	\$ 6,290,279	\$ 10,280,608	\$ 1,473,240		

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

Township of Tuscarora
Balance Sheet
Governmental Funds
June 30, 2019

	<u>Special Revenue</u>	<u>Debt Service</u>		
	General	Police	2016 Special Assessment Bonds Debt Retirement (Nonmajor Fund)	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 818,441	\$ 508,142	\$ 11,684	\$ 1,338,267
Accounts Receivable	3,033	--	--	3,033
Due from Other Governments	45,426	--	--	45,426
Due from Other Funds	--	--	70,612	70,612
Special Assessments	--	--	35,687	35,687
<i>Total Assets</i>	<u>\$ 866,900</u>	<u>\$ 508,142</u>	<u>\$ 117,983</u>	<u>\$ 1,493,025</u>
LIABILITIES				
Accounts Payable	\$ 25,281	\$ 11,208	\$ --	\$ 36,489
Payroll Liabilities	6,834	29,756	--	36,590
Due to Other Funds	73,354	--	--	73,354
<i>Total Liabilities</i>	<u>105,469</u>	<u>40,964</u>	<u>--</u>	<u>146,433</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	--	--	35,687	35,687
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>105,469</u>	<u>40,964</u>	<u>35,687</u>	<u>182,120</u>
FUND BALANCE				
Restricted	69,575	467,178	82,296	619,049
Assigned	134,031	--	--	134,031
Unassigned	557,825	--	--	557,825
<i>Total Fund Balance</i>	<u>761,431</u>	<u>467,178</u>	<u>82,296</u>	<u>1,310,905</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 866,900</u>	<u>\$ 508,142</u>	<u>\$ 117,983</u>	<u>\$ 1,493,025</u>

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

Township of Tuscarora
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds	\$ 1,310,905
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, the interest expenditure is reported when due.	(195)
General government capital assets of \$6,245,422, net of accumulated depreciation of \$2,778,872, are not financial resources, and accordingly are not reported in the funds.	3,466,550
Compensated absences are not due in and payable in the current period, and therefore, are not reported in the funds.	(29,677)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(45,000)
Certain pension-related amounts, such as the net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	(747,941)
Certain receivables are not available to pay for current period expenditures and, therefore, are unearned in the funds.	35,687
Total Net Position - Governmental Activities	\$ <u>3,990,329</u>

Township of Tuscarora
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue</u>		<u>Debt Service</u>		Total Governmental Funds	
			2016 Special Assessment Bonds Debt Retirement (Nonmajor Fund)			
	General	Police				
Revenues						
Property Taxes	\$ 502,194	\$ 921,075	\$ --	\$ 1,423,269		
Special Assessments	5,116	--	19,965	25,081		
Intergovernmental	268,758	84,672	--	353,430		
Charges for Services	51,815	11,506	--	63,321		
Refunds and Reimbursements	2,119	858	--	2,977		
Other	250,143	10,936	--	261,079		
Interest Income	2,185	2,066	2,321	6,572		
Total Revenues	1,082,330	1,031,113	22,286	2,135,729		
Expenditures						
General Government	363,875	--	--	363,875		
Public Safety	166,091	1,034,038	--	1,200,129		
Public Works	86,329	--	--	86,329		
Recreation and Culture	492,698	--	--	492,698		
Debt Service - Principal	--	--	21,000	21,000		
Debt Service - Interest	--	--	1,740	1,740		
Total Expenditures	1,108,993	1,034,038	22,740	2,165,771		
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(26,663)</i>	<i>(2,925)</i>	<i>(454)</i>	<i>(30,042)</i>		
Other Financing Sources (Uses)						
Sale of Capital Asset	--	4,000	--	4,000		
Net Other Financing Sources (Uses)	--	4,000	--	4,000		
Net Change in Fund Balance	(26,663)	1,075	(454)	(26,042)		
<i>Fund Balance at Beginning of Period</i>	<i>788,094</i>	<i>466,103</i>	<i>82,750</i>	<i>1,336,947</i>		
Fund Balance at End of Period	\$ 761,431	\$ 467,178	\$ 82,296	\$ 1,310,905		

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

Township of Tuscarora
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ (26,042)
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount of capital outlay expenditures less depreciation expense.	206,185
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	91
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(2,676)
Changes to the net pension liability and related pension deferrals are not shown in the fund financial statements.	(65,706)
Some receivables are long-term in nature and are collectible over several years. However, the current receipts are reflected as revenues on the fund statements.	(19,428)
Current year long-term debt principal payments on contractual obligations and bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.	21,000
Changes in Net Position - Governmental Activities	\$ <u>113,424</u>

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

Township of Tuscarora
Statement of Net Position
Proprietary Fund
June 30, 2019

	Business-type Activities - <u>Enterprise Fund</u>
	Sewer
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 223,692
Accounts Receivable	43,893
Special Assessments	42,233
Due from Other Funds	2,742
Total Current Assets	<u>312,560</u>
<i>Noncurrent Assets</i>	
Capital Assets not Being Depreciated	178,618
Capital Assets Being Depreciated, Net	5,618,276
Restricted Cash	386,505
Special Assessments	1,917,527
Total Assets	<u>8,413,486</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	18,037
Accrued Interest	9,170
Current Portion of Long-term Debt	63,000
Total Current Liabilities	<u>90,207</u>
<i>Noncurrent Liabilities</i>	
Long-term Debt	<u>2,033,000</u>
Total Liabilities	<u>2,123,207</u>
NET POSITION	
Net Investment in Capital Assets	3,767,695
<i>Restricted for:</i>	
Repair, Replacement, Improvement	54,603
Additional Residential Equivalent Units	331,902
Unrestricted	<u>2,136,079</u>
Total Net Position	<u>\$ 6,290,279</u>

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

Township of Tuscarora
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
Operating Revenues	
Charges for Services	\$ 124,325
Total Operating Revenues	<u>124,325</u>
Operating Expenses	
Professional Fees	101,678
Utilities	37,979
Supplies	13,153
Repairs and Maintenance	21,337
Insurance	1,357
Depreciation	<u>129,801</u>
Total Operating Expenses	<u>305,305</u>
Operating Income (Loss)	<u>(180,980)</u>
Non-Operating Revenues (Expenses)	
Local Contributions	8,000
Interest Income	74,399
Miscellaneous Revenue	697
Interest Expense	<u>(56,398)</u>
Net Non-Operating Revenues (Expenses)	<u>26,698</u>
Change In Net Position	<u>(154,282)</u>
<i>Net Position at Beginning of Period</i>	6,444,561
Net Position at End of Period	<u>\$ 6,290,279</u>

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

**Township of Tuscarora
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer</u>
Cash Flows Used by Operating Activities	
Cash Received from Customers	\$ 160,377
Cash Payments to Suppliers for Goods and Services	(180,932)
<i>Net Cash Used by Operating Activities</i>	<u>(20,555)</u>
Cash Flows from Non-capital and Related Financing Activities	
Interfund Balances	758
Miscellaneous Receipts	697
Grants and Contributions	8,000
<i>Net Cash Provided by Non-capital and Related Financing Activities</i>	<u>9,455</u>
Cash Flows from Capital and Related Financing Activities	
Principal Paid	(63,000)
Interest Paid	(56,674)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(119,674)</u>
Cash Flows From Investing Activities	
Interest Income	<u>74,399</u>
<i>Net Cash Provided by Investing Activities</i>	<u>74,399</u>
<i>Net Decrease in Cash and Equivalents</i>	<u>(56,375)</u>
<i>Cash and Equivalents - Beginning of Year</i>	666,572
<i>Cash and Equivalents - End of Year</i>	<u>\$ 610,197</u>
Reconciliation of Operating Loss to	
Net Cash Used by Operating Activities	
Operating Loss	\$ (180,980)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation Expense	129,801
Changes in Assets and Liabilities	
Special Assessment Receivable	42,233
Accounts Receivable	(6,181)
Accounts Payable	(5,428)
<i>Net Cash Used by Operating Activities</i>	<u>\$ (20,555)</u>

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

Township of Tuscarora
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2019

	<u>Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 8,277
<i>Total Assets</i>	<u>8,277</u>
LIABILITIES	
Due to Primary Government	8,277
<i>Total Liabilities</i>	<u>\$ 8,277</u>

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

Township of Tuscarora
Combining Statement of Net Position
Component Units
June 30, 2019

	DDA	Indian River Area Library	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 424,657	\$ 188,531	\$ 613,188
Accounts Receivable	--	17,891	17,891
 Total Current Assets	424,657	206,422	631,079
<i>Noncurrent Assets</i>			
Capital Assets Being Depreciated, Net	631,813	210,236	842,049
Investments - Endowment	--	5,675	5,675
 Total Assets	1,056,470	422,333	1,478,803
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	1,438	2,487	3,925
Payroll Liabilities	--	1,638	1,638
 Total Liabilities	1,438	4,125	5,563
NET POSITION			
Net Investment in Capital Assets	631,813	210,236	842,049
<i>Restricted for:</i>			
Nonspendable Endowment	--	5,675	5,675
<i>Unrestricted</i>	423,219	202,297	625,516
Total Net Position	\$ 1,055,032	\$ 418,208	\$ 1,473,240

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

Township of Tuscarora
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2019

	DDA	Indian River Area Library	Total Component Units
Expenses			
Community and Economic Development	\$ 114,632	\$ --	\$ 114,632
Recreation and Culture	--	136,758	136,758
Total Expenses	114,632	136,758	251,390
Program Revenues			
Charges for services	16,651	2,991	19,642
Operating grants and contributions	--	34,101	34,101
Total Program Revenues	16,651	37,092	53,743
Net Program Revenues (Expenses)	(97,981)	(99,666)	(197,647)
General Revenue			
Property Taxes	82,663	69,142	151,805
Intergovernmental	--	20,236	20,236
Interest Income	382	2,919	3,301
Total General Revenues	83,045	92,297	175,342
Change in Net Position	(14,936)	(7,369)	(22,305)
<i>Net Position at Beginning of Period</i>	<i>1,069,968</i>	<i>425,577</i>	<i>1,495,545</i>
Net Position at End of Period	\$ 1,055,032	\$ 418,208	\$ 1,473,240

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

Notes to the Financial Statements

Township of Tuscarora

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

Tuscarora Township is an unincorporated Township, which operates under a Supervisor Board form of government. The Township provides the following services: public safety, highways and streets, public improvements, sewer, and general administrative services. The Township has considered all potential component units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 61 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township’s financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are two component units to be included in these statements.

Discretely Presented Component Units

Downtown Development Authority

The Downtown Development Authority, which was established pursuant to the provisions of Act 197 of 1975, as amended, is governed by the Township Supervisor and an eight-member board. The Authority may issue debt subject to the limitations set forth in the Act and is funded by a specified annual property tax capture of a portion of the Township and County levies which may only be used for activities within the downtown district. The Township also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements for the component unit are not separately prepared.

Indian River Library

The Township Library, which was established pursuant to the provisions of Public Act 164 of 1877, as amended, is governed by a six-person Board of Directors elected through general elections. The Library may issue debt subject to the limitations set forth in the Act and is funded by an annual property tax levy and county penal fines. Complete financial statements for the component unit are not separately prepared.

Township of Tuscarora

Notes to the Financial Statements

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the 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 or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The fiduciary fund financial statements use the economic resources measurement focus, although the agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Township of Tuscarora

Notes to the Financial Statements

Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The **general fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The **police fund** accounts for revenues and expenditures directly attributable to police operations. Revenue is primarily generated from property taxes.

The Township reports the following major proprietary fund:

The **sewer fund** accounts for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers, grants, and special assessments. These revenues are also used to pay principal and interest on revenue bonds which were used to finance improvements to the system.

Additionally, the government reports the following fund types:

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

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital project funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Agency funds are used to account for assets held on behalf of outside parties, including other governments.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and

Township of Tuscarora

Notes to the Financial Statements

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Township's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year.

Investments

Investments consist of the Township's share in an external investment pool and are reported at fair value. This investment pool operates in a manner consistent with the Securities and Exchange Commission's Rule 2a(7) of the Investment Company Act of 1940.

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements are classified as restricted assets. Liabilities payable for such restricted assets are separately classified.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at June 30, 2019 were identified as being uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at replacement value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays of capital assets and improvement are

Township of Tuscarora

Notes to the Financial Statements

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

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	Years
Land Improvements	15
Buildings and Improvements	10 - 40
Sewer Infrastructure	30 - 50
Vehicles, Machinery, and Equipment	5 - 10

The Township reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Outflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The amounts will be amortized to pension expense within five years.

Deferred Inflows of Resources

In addition to liabilities, the fund level balance sheet or statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee

Township of Tuscarora

Notes to the Financial Statements

contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Under terms of Township policies, eligible employees are granted vacation, sick, and compensatory time in varying amounts based on length of service. Sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have maturity, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and

Township of Tuscarora

Notes to the Financial Statements

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

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

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance is essentially the difference between the assets and liabilities reported in governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (*inherently non-spendable*)
2. Restricted fund balance (*externally enforceable limitations on use*)
3. Committed fund balance (*self-imposed limitations on use*)
4. Assigned fund balance (*limitation resulting from intended use*)
5. Unassigned fund balance (*the residual classification of the general fund*)

Non-spendable and Restricted Funds - Non-spendable funds are those fund that cannot be spent because they are either (a) not in spendable form – inventories and prepaids - or (b) legally or contractually required to be maintained intact – long-term receivables.

Restricted funds are those funds that have constraints placed on their use by an external party or constitutional provisions or enabling legislations (grants, contributions, specific fee mandates). Non-spendable and Restricted Funds will be maintained and then summarized in the Township's annual financial report by the Township's financial staff.

Committed Funds - In order to commit fund balance, the Township Board, as the highest level of decision making authority, must pass a Resolution to Commitment funds for a specific purpose. These funds must be fully expended for their committed purpose. To make committed funds

Township of Tuscarora

Notes to the Financial Statements

uncommitted, a new resolution must be passed by the Board. Action must be taken before the last day of the fiscal year to commit funds for that year.

Assigned Funds - Assigned funds are amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. These amounts can be "assigned" by the Township Supervisor, or his/her designee.

Minimum Unassigned Fund Balance - The Township is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The goal of the Township Board shall be to maintain a minimum unassigned fund balance of no less than 50% of General Fund expenditures. For purposes of this calculation, "expenditures" will be the annual budgeted expenditures less non-recurring capital expenditures.

If unassigned fund balance approaches a level that greatly exceeds 50% of expenditures, the Township Board will consider using unassigned fund balance for the following purposes: pay down future debt, transfer funds to a Capital Projects fund for future Capital improvements, and other future obligations of the Township.

Fund balance levels will be analyzed each fiscal year after the financial statement audit.

Property Tax Revenue Recognition

Property taxes are levied as of December 1 of each year and are due by February 15 of the following calendar year. Any amounts not received by February 28 are added to the County tax rolls. The Township receives 100% payment for the delinquent taxes by June 30. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the tax collection fund (a fiduciary fund).

The taxable value of the Township totaled \$235,228,452, on which ad valorem taxes consisted of .9971 mills for the Township's operating purposes, .0439 mills for lights, .7317 mills for the fire protection, 4.050 mills for police protection, and .2951 mills for the component unit library operations.

Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the Township.

Township of Tuscarora

Notes to the Financial Statements

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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary and Budgetary Accounting

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as “GAAP Basis” are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the activity level and control is exercised on that same level.

Note 2 – Statutory Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the functional level in other funds.

The Township had no expenditures in excess of the amounts appropriated during the year ended June 30, 2019:

Deficit Net Position

The Township’s governmental activities had an unrestricted net position deficit of \$(50,270) as of June 30, 2019.

Note 3 - Cash and Investments

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	Governmental Activities	Business-type Activities	Primary Government	Component Units	Fiduciary Fund
Statement of Net Position					
Cash and Cash Equivalents	\$ 1,338,267	\$ 223,692	\$ 1,561,959	\$ 613,188	\$ 8,277
Restricted Cash		386,505	386,505	-	-
Investments - Endowment	-	-	-	5,675	-
Total Deposits and Investments	\$ 1,338,267	\$ 610,197	\$ 1,948,464	\$ 618,863	\$ 8,277

Township of Tuscarora

Notes to the Financial Statements

These deposits are held in two financial institutions, both of which are located in Michigan. State policy limits the Treasurer's investing options as described in detail below. All accounts are in the name of the Township and a specific fund or common account. Deposits and investments are recorded in Township records at fair value. Interest is recorded when earned.

Deposits and Investments

Checking and Savings Accounts	\$ 2,569,784
Investments	5,675
Cash on Hand	145
Total Deposits and Investments	<u>\$ 2,575,604</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require, and the Township does not have, a policy for deposit custodial credit risk. As of year-end, \$2,198,291 of the Township's bank balance of \$2,594,237, was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurances, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Statutory Authority

State statutes authorize the Township to invest in:

- a. Bonds, securities, other obligations, and repurchase agreements of the United States of America, or an agency or instrumentality of the United States of America.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

Township of Tuscarora

Notes to the Financial Statements

g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Fair Value Measurement

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Township has the following recurring fair value measurements as of June 30, 2019:

- All investments held at the Community Foundation of Northeast Michigan, with a balance of \$59,780 at June 30, 2019, are valued using Level 2 inputs.

Note 4 - Capital Assets

Capital asset activities for governmental activities for the year ended June 30, 2019 were as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 1,383,282	\$ -	\$ -	\$ 1,383,282
Capital Assets being Depreciated				
Land Improvements	2,556,611	39,851	-	2,596,462
Buildings and Improvements	1,294,142	224,315	-	1,518,457
Vehicles	178,170	37,007	(31,183)	183,994
Equipment	435,859	127,368	-	563,227
Subtotal	4,464,782	428,541	(31,183)	4,862,140
Less Accumulated Depreciation				
Land Improvements	1,314,048	139,475	-	1,453,523
Buildings and Improvements	825,304	36,007	-	861,311
Vehicles	111,360	17,962	(25,615)	103,707
Equipment	336,987	23,344	-	360,331
Subtotal	2,587,699	216,788	(25,615)	2,778,872
Capital Assets being Depreciated, Net	1,877,083	211,753	(5,568)	2,083,268
Capital Assets, Governmental Activities	\$ 3,260,365	\$ 211,753	\$ (5,568)	\$ 3,466,550

Township of Tuscarora

Notes to the Financial Statements

Capital asset activities for business-type activities for the year ended June 30, 2019 were as follows:

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 178,618	\$ -	\$ -	\$ 178,618
Capital Assets being Depreciated				
Sewer System	5,814,433		-	5,814,433
Machinery and Equipment	189,318	-	-	189,318
Subtotal	<u>6,003,751</u>	<u>-</u>	<u>-</u>	<u>6,003,751</u>
Less Accumulated Depreciation				
Sewer System	232,189	128,465	-	360,654
Machinery and Equipment	23,486	1,336	-	24,822
Subtotal	<u>255,674</u>	<u>129,801</u>	<u>-</u>	<u>385,475</u>
Capital Assets being Depreciated, Net	<u>5,748,077</u>	<u>(129,801)</u>	<u>-</u>	<u>5,618,276</u>
Capital Assets, Business-type Activities	<u><u>\$ 5,926,695</u></u>	<u><u>\$ (129,801)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,796,894</u></u>

Capital asset activities for the component unit activities for the year ended June 30, 2019 were as follows:

Component Unit - Downtown Development Authority	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets being Depreciated				
Land Improvements	\$ 737,066	\$ -	\$ -	\$ 737,066
Less Accumulated Depreciation				
Land Improvements	74,882	30,371	-	105,253
Capital Assets, Downtown Development Authority	<u>\$ 662,184</u>	<u>\$ (30,371)</u>	<u>\$ -</u>	<u>\$ 631,813</u>

Component Unit - Indian River Area Library	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets being Depreciated				
Books and Periodicals	\$ 222,697	\$ 12,361	\$ (21,857)	\$ 213,201
Buildings and Improvements	38,865	35,248	-	74,113
Equipment	129,028	59,859	-	188,887
Subtotal	<u>390,590</u>	<u>107,468</u>	<u>(21,857)</u>	<u>476,201</u>
Less Accumulated Depreciation				
Books and Periodicals	128,160	18,060	(21,857)	124,363
Buildings and Improvements	8,937	4,223	-	13,160
Equipment	127,067	1,375	-	128,442
Subtotal	<u>264,164</u>	<u>23,658</u>	<u>(21,857)</u>	<u>265,965</u>
Capital Assets, Indian River Area Library	<u><u>\$ 126,426</u></u>	<u><u>\$ 83,810</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 210,236</u></u>

Township of Tuscarora

Notes to the Financial Statements

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 48,138
Public Safety	28,374
Recreation and Culture	140,276
<i>Total</i>	<u>\$ 216,788</u>

Business-type Activities

Sewer Fund	<u>\$ 129,801</u>
------------	-------------------

Discretely Presented Component Units

Tuscarora Township DDA

Community and Economic Development	\$ 30,371
------------------------------------	-----------

Indian River Area Library

Recreation and Culture	23,658
<i>Total</i>	<u>\$ 54,029</u>

Note 5 - Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019 was as follows:

Receivable Fund	Payable Fund	Amount
2016 Special Assessment	General	\$ 70,612
Sewer	General	2,742

All amounts due from other funds represent advances to other funds to finance operations or capital outlays.

Township of Tuscarora

Notes to the Financial Statements

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2016 Special Assessment bonds - Eagles Nest	\$ 66,000	\$ -	\$ (21,000)	\$ 45,000	\$ 21,000
Compensated Absences	27,001	2,884	(208)	29,677	-
Total Governmental Activities:	93,001	2,884	(21,208)	74,677	21,000
Business-type Activities:					
2014 Sewer Special Assessment Bonds used to finance sewer project. \$2,411,000 at 2.625% Interest. Payments to be made through 2052.	2,159,000	-	(63,000)	2,096,000	63,000
Total Business-type Activities:	\$ 2,159,000	\$ -	\$ (63,000)	\$ 2,096,000	\$ 63,000
Total Long-term Debt:	\$ 2,252,001	\$ 2,884	\$ (84,208)	\$ 2,170,677	\$ 84,000

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term debt obligations outstanding at June 30, 2019 are as follows:

Year Ending	Governmental Activities			
	June 30	Principal	Interest	Total
2020	\$ 21,000	\$ 1,170	\$ 22,170	
2021	24,000	624	24,624	
Totals	\$ 45,000	\$ 1,794	\$ 46,794	
Year Ending	Business-type Activities			
	June 30	Principal	Interest	Total
2020	\$ 63,000	\$ 56,674	\$ 119,674	
2021	63,000	55,020	118,020	
2022	63,000	53,366	116,366	
2023	63,000	51,713	114,713	
2024	63,000	50,059	113,059	
2025-2029	311,000	225,881	536,881	
2030-2034	315,000	184,669	499,669	
2035-2039	318,000	143,168	461,168	
2040-2044	320,000	101,194	421,194	
2045-2049	322,000	59,115	381,115	
2050-2052	195,000	15,041	210,041	
Totals	\$ 2,096,000	\$ 995,899	\$ 3,091,899	

Township of Tuscarora

Notes to the Financial Statements

Note 7 - Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended June 30, 2019, the Township carried commercial insurance to cover all risks of loss. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

Benefits Provided

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Employee Contributions	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
Police	2.50%	0.00%	80%	5	60	55/20	50/25 or 55/15	10

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Township Board of Trustees, generally after negotiations of these terms with the affected unions.

Township of Tuscarora

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>9</u>
Total employees covered by MERS	<u><u>15</u></u>

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2018, the Township had the following contribution rates:

Division	Employer Contributions	Employee Contributions
Police	21.80%	0.00%

Net Pension Liability

The net pension liability reported at June 30, 2019 was determined using a measure of the total pension liability and the pension net position as of December 31, 2018. The December 31, 2018 total pension liability was determined by an actuarial valuation performed as of that date.

Township of Tuscarora

Notes to the Financial Statements

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 2,427,522	\$ 1,727,308	\$ 700,214
Service cost	58,652	-	58,652
Interest	193,122	-	193,122
Difference between expected and actual experience	(10,676)	-	(10,676)
Contributions - employer	-	100,545	(100,545)
Net investment income	-	(69,017)	69,017
Benefit payments, including refunds	(85,645)	(85,645)	-
Administrative expenses	-	(3,378)	3,378
Other expenses	(1)	(2)	1
Net changes	155,452	(57,497)	212,949
Balance at December 31, 2018	\$ 2,582,974	\$ 1,669,811	\$ 913,163

Net pension liabilities are generally liquidated by the general and police fund within governmental activities.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Township recognized pension expense of \$130,308. At June 30, 2019, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 125,393	\$ -
Net difference in experience	7,012	63,234
Net difference in assumptions	44,604	-
Employer contributions to the plan subsequent to the measurement date	51,447	-
Total	\$ 228,456	\$ 63,234

Township of Tuscarora

Notes to the Financial Statements

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
June 30	
2019	\$ 48,717
2020	21,977
2021	5,709
2022	39,153
2023	(1,781)

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary Increases: base wage inflation of 3.75% in the long-term.

Investment rate of return: 7.75%, net of investment expense and administrative expense including inflation.

Mortality rates used for non-disabled plan member were based on a weighted blend of RP-2014 mortality tables of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Township of Tuscarora

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Global equity	55.50%
Global fixed income	18.50%
Real assets	13.50%
Diversifying strategies	12.50%
	<hr/>
	100.0%

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00 percent, as well as what the Township's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(7.00%)	(8.00%)	(9.00%)
Net pension liability of the Township	<u>\$ 1,268,578</u>	<u>\$ 913,163</u>	<u>\$ 614,325</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

Township of Tuscarora

Notes to the Financial Statements

Note 9 - Subsequent Events

Subsequent events have been evaluated through December 9, 2019, the date the financial statements were available to be issued. The following significant subsequent events were noted:

- The Township's Downtown Development Authority component unit is beginning a streetscape project that is to be funded by a USDA loan of \$1.4 million. Bids are due for the project work in February of 2020. The project is expected to be completed during the Township's fiscal year ending June 30, 2020. Management is not aware of any other subsequent events that would have a significant effect on the financial condition of the Township.
- The Township began renovating its outdoor skating rink during its fiscal year by adding, among other items, a new roof and lighting package. Total project cost is estimated to be \$487,000. At fiscal year end, the Township had expended roughly \$206,000 toward the total cost of the project. The entirety of the project has been financed by donations from residents. The project is expected to be complete by January 1, 2020.

Note 10 - Restricted Cash

Restricted cash in the sewer fund is required by the United States Department of Agriculture - Rural Development (the "USDA") to be maintained at levels consistent with the Township's bond agreements. Repair, Replacement, and Improvement account funds may be used for the repair, replacement, and improvement of the Township's sewer system. Restricted cash related to USDA bonds consists of the following:

<u>Business-type Activities</u>	June 30, 2019	
	Required Balance	Actual Balance
<i>Repair, Replacement, and Improvement</i> 2014 Issue, \$10,693 per year	\$ 53,465	\$ 54,603

Note 11 – Tax Abatements

Governmental Accounting Standards Board (GASB) Statement No. 77 "Tax Abatement Disclosures" requires that State and local governments that have entered into tax abatement agreements disclose information related to those agreements. The Township did not have any active tax abatement agreements at June 30, 2019.

Required Supplementary Information

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance	
	Original	Final	Actual	Positive (Negative)	
				Final to Actual	
Revenues					
Property Taxes	\$ 500,350	\$ 500,350	\$ 502,194	\$ 1,844	
Special Assessments	5,480	5,480	5,116	(364)	
Intergovernmental	260,000	260,000	268,758	8,758	
Charges for Services	52,600	52,600	51,815	(785)	
Refunds and Reimbursements	--	--	2,119	2,119	
Other	5,500	5,500	250,143	244,643	
Interest Income	1,735	1,735	2,185	450	
Total Revenues	825,665	825,665	1,082,330		256,665
Expenditures					
General Government					
Township Board	109,065	97,765	87,895	9,870	
Supervisor	26,332	28,232	26,132	2,100	
Clerk	63,452	65,952	47,622	18,330	
Board of Review	2,200	2,200	1,980	220	
Treasurer	42,565	44,865	38,638	6,227	
Assessor	77,950	81,550	67,452	14,098	
Cemetery	22,750	23,050	11,437	11,613	
Elections	9,300	9,300	6,193	3,107	
Building and Grounds	61,000	77,000	74,620	2,380	
Other	10,000	8,000	1,906	6,094	
Total General Government	424,614	437,914	363,875		74,039
Public Safety					
Fire Protection	166,100	166,100	166,091	9	
Public Works					
Roads	51,000	51,000	29,010	21,990	
Street Lighting	28,000	28,000	24,206	3,794	
Sanitation	1,000	1,000	733	267	
Airport	29,150	33,150	32,380	770	
Total Public Works	109,150	113,150	86,329		26,821
Community and Economic Development					
Planning	4,600	4,600	--	4,600	
Recreation and Culture					
Parks	152,500	193,400	173,090	20,310	
Boat Launch	58,300	379,700	319,608	60,092	
Total Recreation and Culture	210,800	573,100	492,698		80,402
Total Expenditures	915,264	1,294,864	1,108,993		185,871
Excess (Deficiency) of Revenues					
Over Expenditures	(89,599)	(469,199)	(26,663)		442,536
Net Change in Fund Balance	(89,599)	(469,199)	(26,663)		442,536
Fund Balance at Beginning of Period	788,094	788,094	788,094		--
Fund Balance at End of Period	\$ 698,495	\$ 318,895	\$ 761,431		\$ 442,536

Township of Tuscarora
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Police
For the Year Ended June 30, 2019

	Budgeted Amounts					Variance Positive (Negative)	
	Original		Final		Actual		
Revenues							
Property Taxes	\$ 924,473	\$ 924,473	\$ 921,075	\$ (3,398)			
Intergovernmental	7,500	7,500	84,672	77,172			
Charges for Services	10,000	10,000	11,506	1,506			
Refunds and Reimbursements	2,300	2,300	858	(1,442)			
Other	3,100	3,100	10,936	7,836			
Interest Income	750	750	2,066	1,316			
Total Revenues	948,123	948,123	1,031,113	82,990			
Other Financing Sources							
Sale of Capital Asset	--	--	4,000	4,000			
Total Revenues and Other Financing Sources	948,123	948,123	1,035,113	86,990			
Expenditures							
Public Safety - Police	955,990	1,141,000	1,034,038	106,962			
Total Expenditures	955,990	1,141,000	1,034,038	106,962			
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</i>	<i>(7,867)</i>	<i>(192,877)</i>	<i>1,075</i>	<i>193,952</i>			
Net Change in Fund Balance	(7,867)	(192,877)	1,075	193,952			
<i>Fund Balance at Beginning of Period</i>	<i>466,103</i>	<i>466,103</i>	<i>466,103</i>	<i>--</i>			
Fund Balance at End of Period	\$ 458,236	\$ 273,226	\$ 467,178	\$ 193,952			

Township of Tuscarora
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Five Plan Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 58,652	\$ 51,118	\$ 70,378	\$ 66,338	\$ 64,795
Interest	193,122	181,306	207,567	186,965	172,980
Changes in Benefit Terms	-	-	(409,343)	-	-
Differences Between Expected & Actual Experience	(10,676)	(3,609)	(103,865)	21,040	-
Changes in Assumptions	-	-	-	133,816	-
Other	(1)	-	-	-	-
Benefit Payments, Including Refunds	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Net Change in Pension Liability	155,452	144,691	(317,866)	327,077	180,806
Total Pension Liability - Beginning	2,427,522	2,282,831	2,600,697	2,273,620	2,092,814
Total Pension Liability - Ending (a)	<u>\$ 2,582,974</u>	<u>\$ 2,427,522</u>	<u>\$ 2,282,831</u>	<u>\$ 2,600,697</u>	<u>\$ 2,273,620</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 100,545	\$ 92,739	\$ 86,165	\$ 91,211	\$ 93,992
Contributions - Member	-	-	5,905	15,816	14,615
Net Investment Income	(69,017)	202,446	156,459	(20,972)	79,029
Benefit Payments, Including Refunds	(85,645)	(84,124)	(82,603)	(81,082)	(56,969)
Administrative Expenses	(3,378)	(3,200)	(3,084)	(3,002)	(2,925)
Other	(2)	-	-	-	-
Net Change in Plan Fiduciary Net Position	(57,497)	207,861	162,842	1,971	127,742
Plan Fiduciary Net Position - Beginning	1,727,308	1,519,447	1,356,605	1,354,634	1,226,892
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,669,811</u>	<u>\$ 1,727,308</u>	<u>\$ 1,519,447</u>	<u>\$ 1,356,605</u>	<u>\$ 1,354,634</u>
Net Pension Liability - Ending (a) - (b)	\$ 913,163	\$ 700,214	\$ 763,384	\$ 1,244,092	\$ 918,986
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.6%	71.2%	66.6%	52.2%	59.6%
Covered Employee Payroll	\$ 545,997	\$ 467,843	\$ 465,158	\$ 451,893	\$ 441,383
Net Pension Liability as a Percentage of Covered Employee Payroll	167.2%	149.7%	164.1%	275.3%	208.2%

* Built prospectively upon implementation on GASB 68

Township of Tuscarora
Required Supplementary Information
Schedule of Contributions
Last Five Fiscal Years

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 100,545	\$ 92,739	\$ 86,165	\$ 61,855	\$ 93,992
Contributions in Relation to the Actuarially Determined Contribution	\$ 100,545	\$ 92,739	\$ 86,165	\$ 61,855	\$ 93,992
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered Employee Payroll	545,997	467,843	465,158	451,893	441,383
Contributions as a Percentage of Covered Employee Payroll	18.4%	19.8%	18.5%	13.7%	21.3%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	20 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75% - In the long term
Investment rate of return	7.75% net of investment and administrative expense
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 2014 Grouped Annuity Mortality

* Built prospectively upon implementation on GASB 68

OTHER SUPPLEMENTARY INFORMATION

Indian River Library
Statement of Net Position
June 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 188,531
Accounts Receivable	17,891
Total Current Assets	206,422

Noncurrent Assets

Capital Assets being Depreciated, Net	210,236
Investments - Endowment	5,675
Total Assets	422,333

LIABILITIES

Current Liabilities

Accounts Payable	2,487
Payroll Liabilities	1,638
Total Liabilities	4,125

NET POSITION

Investment in Capital Assets	210,236
------------------------------	---------

Restricted for:

Nonspendable - Endowment	5,675
Unrestricted	202,297
Total Net Position	\$ 418,208

Indian River Library
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Recreation and Culture	\$ 136,758	\$ 2,991	\$ 34,101	\$ --	\$ (99,666)
Total	\$ 136,758	\$ 2,991	\$ 34,101	\$ --	\$ (99,666)
 General Purpose Revenues:					
Interest Income					2,919
State Sources					2,328
Penal Fines					17,908
Property Taxes					69,142
Total General Revenues					92,297
Change in Net Position					(7,369)
<i>Net Position at Beginning of Period</i>					425,577
Net Position at End of Period					\$ 418,208

Indian River Library
Balance Sheet
Governmental Funds
June 30, 2019

	General
ASSETS	
Cash and Cash Equivalents	\$ 188,531
Accounts Receivable	17,891
Investments - Endowment	5,675
<i>Total Assets</i>	\$ 212,097
LIABILITIES	
Accounts Payable	\$ 2,487
Payroll Liabilities	1,638
<i>Total Liabilities</i>	4,125
FUND BALANCE	
Nonspendable	5,675
Unassigned	202,297
<i>Total Fund Balance</i>	207,972
<i>Total Liabilities and Fund Balance</i>	\$ 212,097

Indian River Library

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds	\$	207,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		210,236
Total Net Position - Governmental Activities	\$	<u>418,208</u>

Indian River Library
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	General
Revenues	
Property Taxes	\$ 69,142
Penal Fines	17,908
State Sources	2,328
Grants and Contributions	34,101
Charges for Services	2,234
Fines	405
Interest Income	2,919
Other Revenues	352
Total Revenues	129,389
Expenditures	
Salaries and Wages	53,713
Fringe Benefits	962
Postage	2,988
Supplies	3,054
Repairs and Maintenance	11,279
Utilities	8,138
Contracted Services	7,003
Printing and Publishing	4,418
Travel and Meals	162
Telephone	3,541
Other Expenditures	17,842
Capital Outlay	107,468
Total Expenditures	220,568
Excess of Revenues Over (Under) Expenditures	(91,179)
Net Change in Fund Balance	(91,179)
<i>Fund Balance at Beginning of Period</i>	299,151
Fund Balance at End of Period	\$ 207,972

Indian River Library
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds \$ (91,179)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$107,468 exceed depreciation expense of \$23,658 during the current year.

83,810

Changes in Net Position - Governmental Activities \$ (7,369)

Township of Tuscarora DDA
Statement of Net Position
June 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 424,657
Total Current Assets	424,657

Noncurrent Assets

Capital Assets being Depreciated, Net	631,813
Total Assets	1,056,470

LIABILITIES

Current Liabilities

Due to Other Governments	1,438
Total Liabilities	1,438

NET POSITION

Investment in Capital Assets	631,813
<i>Unrestricted</i>	423,219
Total Net Position	\$ 1,055,032

Township of Tuscarora DDA
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Community and Economic Development	\$ 114,632	\$ 16,651	\$ --	\$ --	\$ (97,981)
Total	\$ 114,632	\$ 16,651	\$ --	\$ --	\$ (97,981)
 General Purpose Revenues:					
Interest					382
Property Taxes					82,663
Total General Revenues					83,045
Change in Net Position					(14,936)
<i>Net Position at Beginning of Period</i>					1,069,968
Net Position at End of Period					\$ 1,055,032

Township of Tuscarora DDA
Balance Sheet
Governmental Funds
June 30, 2019

	General
ASSETS	
Cash and Cash Equivalents	\$ 424,657
<i>Total Assets</i>	\$ 424,657
LIABILITIES	
Due to Other Governments	\$ 1,438
<i>Total Liabilities</i>	1,438
FUND BALANCE	
Unassigned	423,219
<i>Total Fund Balance</i>	423,219
<i>Total Liabilities and Fund Balance</i>	\$ 424,657

Township of Tuscarora DDA
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds	\$ 423,219
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	631,813
Total Net Position - Governmental Activities	\$ 1,055,032

Township of Tuscarora DDA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	General
Revenues	
Property Taxes	\$ 82,663
Other Revenues	16,651
Interest	382
Total Revenues	99,696
Expenditures	
Community and Economic Development	84,261
Total Expenditures	84,261
Excess of Revenues Over (Under) Expenditures	15,435
Net Change in Fund Balance	15,435
<i>Fund Balance at Beginning of Period</i>	407,784
Fund Balance at End of Period	\$ 423,219

Township of Tuscarora DDA
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 15,435
--	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense of \$30,371 exceeds capital outlay of \$0 during the current year.

	(30,371)
--	----------

Changes in Net Position - Governmental Activities	\$ <u>(14,936)</u>
--	---------------------------

December 9, 2019

To the Board of Trustees
Township of Tuscarora, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Tuscarora for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, pension schedules, and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

A handwritten signature in black ink that reads "Gabridge & Company". The signature is fluid and cursive, with "Gabridge" on the first line and "& Company" on the second line.

Gabridge & Company, PLC
Grand Rapids, MI

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

To the Board of Trustees
Township of Tuscarora, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Township of Tuscarora, Michigan (the "Township") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated December 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Gabridge & Company". The signature is fluid and cursive, with a slight flourish at the end of "Company".

Grand Rapids, Michigan
December 9, 2019