

**TOWNSHIP OF ADAMS
HOUGHTON COUNTY, MICHIGAN**

**FINANCIAL REPORT
(Supplemental Information)**

March 31, 2016

TOWNSHIP OF ADAMS

March 31, 2016

ELECTED OFFICIALS

Supervisor	Gerald Heikkinen
Clerk	Debra Pindral
Treasurer	Nancy Immonen
Trustee	David Mattila
Trustee	Kim Sohlden

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RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, P.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Adams
Houghton County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Township of Adams as of and for the year then ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Township of Adams as of March 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 42 are 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 additional information on pages 44 to 51 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The detailed schedules of revenues, expenditures, and changes in fund balance, balance sheets, and combining 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

September 6, 2016

TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

This section of the Township of Adams' annual Financial Report presents Management's Discussion and Analysis of the Township's financial activities during the fiscal year ended March 31, 2016. The analysis focuses on the Township's financial performance as a whole. It is intended to be read as part of the Township's financial statements, which immediately follows this section.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Township's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Township as a whole and represent an overall view of the Township's finances.

Statement of Net Position and the Statement of Activities

These statements provide information that help determine how the Township is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Township's net position and the changes in the net position during the year are reported by these two statements. Increases or decreases in the Township's net position is one way to determine if the financial position of the Township is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Township.

There are two kinds of activities in the Statement of Net Position and the Statement of Activities:

Governmental Activities - Most of the Township's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Township of Adams, the General Fund meets this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - The Township's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Township's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Overview of the Financial Statements (Continued)

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the Non-major governmental funds and Proprietary Funds.

Governmental Funds - The Township's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Township's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Township's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Township uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Township's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

Internal service funds provide services to other Township activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Township has no internal service funds.

TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Summary of Net Position

		Governmental Activities		Business-Type Activities	
		2016	2015	2016	2015
Assets					
Current assets		\$ 877,420	\$ 830,637	\$ 1,741,150	\$ 1,623,243
Capital assets - Net of accumulated depreciation		529,668	567,312	10,503,285	10,807,876
Total Assets		1,407,088	1,397,949	12,244,435	12,431,119
Liabilities					
Current liabilities		7,377	13,311	103,482	6,998
Noncurrent liabilities		3,091	5,213	3,196,000	3,289,000
Total Liabilities		10,468	18,524	3,299,482	3,295,998
Net Position					
Net investment in capital assets		526,577	562,099	7,307,285	7,518,876
Restricted:					
Fire Protection		101,458	79,424	-	-
Cemetery		17,256	11,888	-	-
Debt Service		-	-	894,399	909,174
Unrestricted		751,329	726,014	743,269	707,071
Total Net Position		\$ 1,396,620	\$ 1,379,425	\$ 8,944,953	\$ 9,135,121

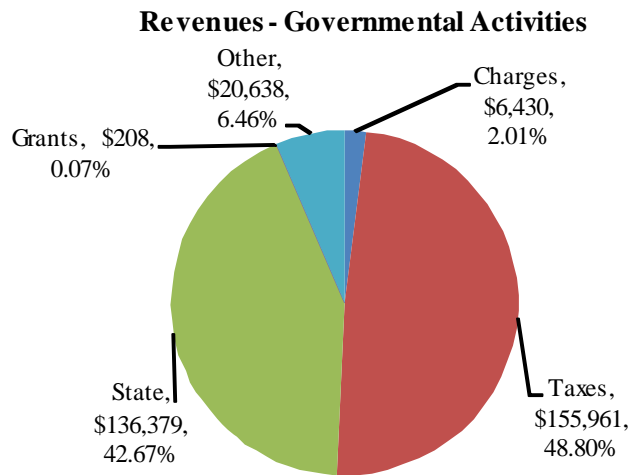
Results of Operations

		Governmental Activities		Business-Type Activities	
		2016	2015	2016	2015
<u>Revenues</u>					
Program Revenue:					
Charges for services		\$ 6,430	\$ 8,080	\$ 890,247	\$ 858,388
Capital grants and contributions		208	1,200	-	45,437
General Revenue:					
Property taxes		155,961	146,538	-	-
State shared revenue		136,379	138,671	-	-
Other		20,638	23,772	2,340	24,822
Total Revenue		319,616	318,261	892,587	928,647
<u>Functions/Program Expenses</u>					
General government		198,104	186,294	-	-
Public safety		14,666	16,836	-	-
Public works		37,299	41,994	1,082,755	1,122,724
Recreation		1,956	1,704	-	-
Other		50,396	50,882	-	-
Total Expenses		302,421	297,710	1,082,755	1,122,724
Change in Net Position		17,195	20,551	(190,168)	(194,077)
Net Position - Beginning		1,379,425	1,358,874	9,135,121	9,329,198
Net Position - Ending		\$ 1,396,620	\$ 1,379,425	\$ 8,944,953	\$ 9,135,121

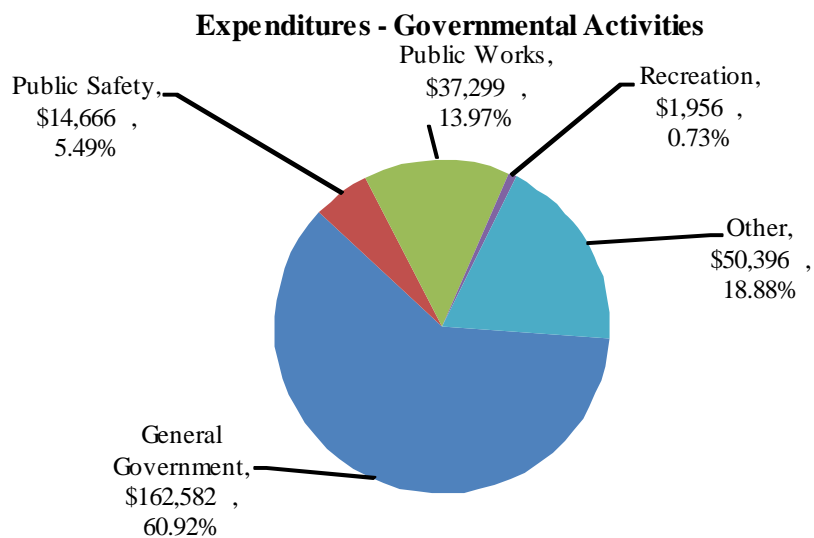
TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Results of Operations (Continued)

The following two charts highlight the Township's governmental activities by revenues and expenses.



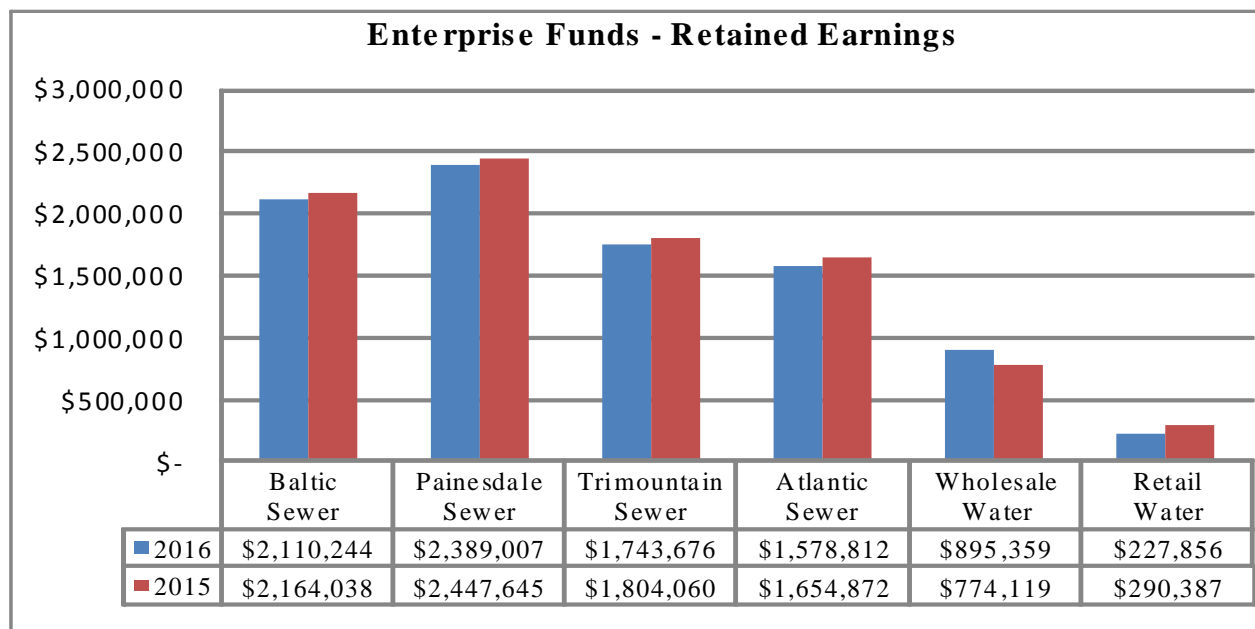
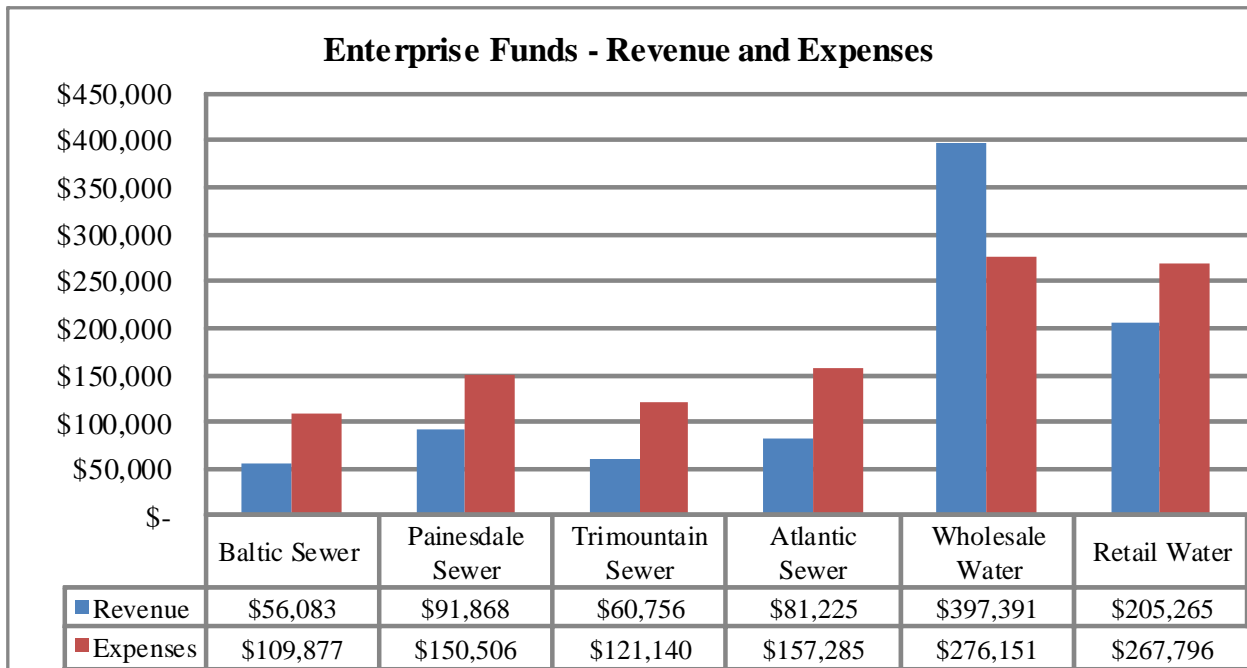
The most significant portions of the revenues for all governmental activities of the Township comes from state shared revenue and property taxes. The Township's operating millage was 1.2841 mills. The Township charter allows the Township to levy up to 1.3 mills for operations.



TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Results of Operations (Continued)

The following two charts highlight the Township's business-type activities by revenues and expenses.



TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Financial Analysis

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the main operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$751,329. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 308% of total General Fund expenditures.

The fund balance of the Township's General Fund increased by \$25,315. This increase is comparable to the prior year's increase. The Township continues to take in excess revenue over expenditures.

Proprietary Funds: The Township's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Net position at the end of the year amounted to \$8,944,953.

Budgetary Highlights

During the year ended March 31, 2016, the Township amended the budget at various times throughout the year. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted levels of effort required for various maintenance activities in the different funds.

Between original and final budgeted amounts, there were significant variances in the following:

General Fund

- Building and grounds - \$35,700 increase - final includes purchase of a new 2016 Ford Pickup and snow plow.
- Cemetery - \$3,900 decrease - Original included more for repairs and maintenance and operating supplies.

Cemetery Fund

- Cemetery Millage Expenses - \$4,500 decrease - original included higher wage expense than final.

There were no significant variations between final budget and actual amounts.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of depreciation, for the governmental and business-type activities as of March 31, 2016, is \$11,032,953. This investment in capital assets includes land, infrastructure, buildings, improvements, machinery and equipment.

Additional information on the Township's capital assets can be found starting on page 31 of this report.

Long-term Debt

At the end of the current fiscal year, the Township had total debt of \$3,196,000. This total amount is backed by the full faith and credit of the Township. The Township's total debt decreased by \$93,000 during the fiscal year.

Additional information on the Township's long-term debt can be found starting on page 36 of this report.

TOWNSHIP OF ADAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2016

Request for Information

This financial report is designed to provide our citizens , taxpayers, customers, investors and creditors with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Township Supervisor at PO Box 520 South Range, MI 49963, call (906) 482-4420.

TOWNSHIP OF ADAMS
STATEMENT OF NET POSITION
March 31, 2016

		Primary Government		
		Governmental	Business-type	
		Activities	Activities	Total
ASSETS:				
Cash and cash equivalents	\$	774,543	\$ 846,148	\$ 1,620,691
Receivables		12,991	95,337	108,328
Internal balances		84,525	(84,525)	-
Due from fiduciary funds		5,361	-	5,361
Restricted cash		-	884,190	884,190
Capital assets - net		529,668	10,503,285	11,032,953
Total assets		1,407,088	12,244,435	13,651,523
LIABILITIES:				
Accounts payable and accrued expenses		7,377	103,482	110,859
Due within one year		-	93,000	93,000
Due in more than one year		-	3,103,000	3,103,000
Compensated absences		3,091	-	3,091
Total liabilities		10,468	3,299,482	3,309,950
NET POSITION:				
Net investment in capital assets		526,577	7,307,285	7,833,862
Restricted:				
Fire Protection		101,458	-	101,458
Cemetery		17,256	-	17,256
Debt service		-	894,399	894,399
Unrestricted		751,329	743,269	1,494,598
Total net position	\$	1,396,620	\$ 8,944,953	\$ 10,341,573

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
STATEMENT OF ACTIVITIES
Year Ended March 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<u>FUNCTIONS/PROGRAMS</u>							
Primary government:							
Government activities:							
General government	\$ 198,104	\$ 6,430	\$ 208	\$ -	\$ (191,466)	\$ -	\$ (191,466)
Public safety	14,666	-	-	-	(14,666)	-	(14,666)
Public works	37,299	-	-	-	(37,299)	-	(37,299)
Recreation and culture	1,956	-	-	-	(1,956)	-	(1,956)
Other	50,396	-	-	-	(50,396)	-	(50,396)
Total governmental activities	302,421	6,430	208	-	(295,783)	-	(295,783)
Business-type activities:							
Water	543,947	601,142	-	-	-	57,195	57,195
Sewer	538,808	289,105	-	-	-	(249,703)	(249,703)
Total business-type activities	1,082,755	890,247	-	-	-	(192,508)	(192,508)
Total primary government	\$ 1,385,176	\$ 896,677	\$ 208	\$ -	(295,783)	(192,508)	(488,291)
General Revenues:							
Taxes					155,961	-	155,961
State shared revenue					136,379	-	136,379
Interest and investment earnings					1,906	1,688	3,594
Other					18,732	652	19,384
Total general revenues					312,978	2,340	315,318
Change in Net Position					17,195	(190,168)	(172,973)
Net Position - Beginning					1,379,425	9,135,121	10,514,546
Net Position - Ending					\$ 1,396,620	\$ 8,944,953	\$ 10,341,573

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2016

	General Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 774,543	\$ -	\$ 774,543
Taxes receivable	6,707	964	7,671
Special assessments receivable	-	5,320	5,320
Due from other funds	84,525	112,430	196,955
Due from fiduciary funds	5,361	-	5,361
Total assets	<u>\$ 871,136</u>	<u>\$ 118,714</u>	<u>\$ 989,850</u>
LIABILITIES:			
Accounts payable	\$ 1,226	\$ -	\$ 1,226
Accrued expenses	6,151	-	6,151
Due to other funds	112,430	-	112,430
Total liabilities	<u>119,807</u>	<u>-</u>	<u>119,807</u>
FUND BALANCES:			
Restricted:			
Fire Protection	-	101,458	101,458
Cemetery	-	17,256	17,256
Unassigned	751,329	-	751,329
Total fund balance	<u>751,329</u>	<u>118,714</u>	<u>870,043</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 871,136</u>	<u>\$ 118,714</u>	<u>\$ 989,850</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
March 31, 2016

Fund Balance Reported in Governmental Funds	\$ 870,043
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources therefore are not reported in the funds	529,668
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Long-term liabilities payable in the current period and therefore are not reported in the funds.	<u>(3,091)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,396,620</u>
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The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2016

	General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 97,912	\$ 58,049	\$ 155,961
State revenue sharing	136,379	-	136,379
Other state revenue	1,788	-	1,788
Charges for services	6,430	-	6,430
Interest	1,906	-	1,906
Rentals	2,805	-	2,805
Contributions	208	-	208
Other revenue	14,139	-	14,139
Total revenues	<u>261,567</u>	<u>58,049</u>	<u>319,616</u>
EXPENDITURES:			
General government	162,582	-	162,582
Public safety	-	14,666	14,666
Public works	28,818	8,481	37,299
Recreation and culture	1,956	-	1,956
Other	50,396	-	50,396
Total expenditures	<u>243,752</u>	<u>23,147</u>	<u>266,899</u>
Excess (deficiency) of revenue over expenditures	<u>17,815</u>	<u>34,902</u>	<u>52,717</u>
Other financing sources (uses):			
Operating transfers in (out)	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>25,315</u>	<u>27,402</u>	<u>52,717</u>
FUND BALANCE - BEGINNING OF YEAR	726,014	91,312	817,326
FUND BALANCE - END OF YEAR	<u>\$ 751,329</u>	<u>\$ 118,714</u>	<u>\$ 870,043</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 52,717
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation and capital asset purchases.	(37,644)
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	<u>2,122</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 17,195</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
March 31, 2016

	Business-Type Activities		
	Major Funds		
	Sewer System	Water System	Total
ASSETS:			
Cash and cash equivalents	\$ 384,625	\$ 461,523	\$ 846,148
Accounts receivable	43,326	52,011	95,337
Restricted cash	643,848	240,342	884,190
Capital assets - Net	9,132,409	1,370,876	10,503,285
Total assets	10,204,208	2,124,752	12,328,960
LIABILITIES:			
Accounts payable	986	100,622	101,608
Accrued expenses	484	1,390	1,874
Due to other funds	-	84,525	84,525
Current maturities on long term debt	48,000	45,000	93,000
Bonds/note payable	2,333,000	770,000	3,103,000
Total liabilities	2,382,470	1,001,537	3,384,007
NET POSITION			
Reserved	654,688	239,711	894,399
Unreserved	7,167,050	883,504	8,050,554
TOTAL NET POSITION	\$ 7,821,738	\$ 1,123,215	\$ 8,944,953

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN NET POSITION
Year Ended March 31, 2016

	Business-Type Activities		
	Major Funds		
	Sewer System	Water System	Total
OPERATING REVENUES:			
Sales and charges for services	\$ 289,105	\$ 601,142	\$ 890,247
Other revenue	448	204	652
Total operating revenues	289,553	601,346	890,899
EXPENSES:			
Salaries, wages, and fringe benefits	31,253	199,703	230,956
Supplies, materials, and other	13,989	53,802	67,791
Repair and maintenance	14,342	72,735	87,077
Insurance	5,293	13,034	18,327
Utilities	23,810	81,715	105,525
Other services and support	3,952	6,925	10,877
Capital outlay	-	216	216
Depreciation	352,518	86,884	439,402
Total operating expenses	445,157	515,014	960,171
OPERATING INCOME (LOSS)	(155,604)	86,332	(69,272)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	378	1,310	1,688
Interest expense	(93,651)	(28,933)	(122,584)
Total non-operating revenues (expenses)	(93,273)	(27,623)	(120,896)
NET INCOME (LOSS)	(248,877)	58,709	(190,168)
NET POSITION, BEGINNING OF YEAR	8,070,615	1,064,506	9,135,121
NET POSITION, END OF YEAR	\$ 7,821,738	\$ 1,123,215	\$ 8,944,953

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
March 31, 2016

	<u>Enterprise Funds</u>		
	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 281,216	\$ 604,639	\$ 885,855
Payments to suppliers	(60,400)	(133,842)	(194,242)
Payments to employees	30,898	199,145	230,043
Other receipts (payments)	448	204	652
Net cash provided (used) by operating activities	<u>190,366</u>	<u>271,856</u>	<u>462,222</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>(165,922)</u>	<u>80,784</u>	<u>(85,138)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	134,812	134,812
Principal paid on capital debt	(48,000)	(45,000)	(93,000)
Interest paid on capital debt	<u>(93,651)</u>	<u>(28,933)</u>	<u>(122,584)</u>
Net cash provided (used) by capital related financing activities	<u>(141,651)</u>	<u>(208,745)</u>	<u>(350,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>378</u>	<u>1,310</u>	<u>1,688</u>
Net cash provided (used) by investing activities	<u>378</u>	<u>1,310</u>	<u>1,688</u>
Net (decrease) in cash and cash equivalents	(116,829)	145,205	28,376
CASH AT BEGINNING OF YEAR	<u>1,145,300</u>	<u>556,661</u>	<u>1,701,961</u>
CASH AT END OF YEAR	<u>\$ 1,028,471</u>	<u>\$ 701,866</u>	<u>\$ 1,730,337</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (155,604)	\$ 86,332	\$ (69,272)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	352,518	86,884	439,402
Change in assets and liabilities			
Receivables, net	(7,889)	3,497	(4,392)
Accounts and other payables	986	94,585	95,571
Accrued expenses	<u>355</u>	<u>558</u>	<u>(913)</u>
Net cash provided (used) by operating activities	<u>\$ 190,366</u>	<u>\$ 271,856</u>	<u>\$ 462,222</u>

The accompanying notes to the financial statements are an integral part of this statement

TOWNSHIP OF ADAMS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2016

	<u>Fiduciary Funds</u>
ASSETS:	
Cash	<u>\$ 35,923</u>
LIABILITIES:	
Due to general fund	\$ 5,361
Due to other governmental units	<u>30,562</u>
TOTAL LIABILITIES	<u>\$ 35,923</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Adams conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

REPORTING ENTITY

The Township of Adams is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. The statement of net position and statement of activities report information on all the non-fiduciary activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities for the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to inter-fund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position are reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue and capital projects and the restrictions on their net position use.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The major governmental funds are each presented in a single column on the financial statements.

The following fund types are used by the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following non-major governmental funds:

Fire Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

Cemetery Fund - The Cemetery Fund accounts for special assessment for improvement activities.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports the Sewer and Water Funds as major enterprise funds in accordance with the above criteria.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The Tax Collection Fund accounts for collection and disbursement of property tax collections.

Measurement Focus

On the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
- Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensation absences, which are reported when due.

Other Accounting Policies

Cash and Cash Equivalents - The Township’s cash and cash equivalents as reported in the statement of cash flows and the statement of net position are considered to be cash on hand, demand deposits and short term investments with maturities of three months or less when acquired.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectible accounts.

Property Taxes - Property taxes are accrued in the year they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

For the year ended March 31, 2016, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
Township Operating	1.2841
Cemetery Extra Voted	0.2963

Capital Assets - Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are defined by the Township as assets with an initial individual cost of more than \$3,000 and an estimated useful life of more than one year.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the asset's estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of assets is as follows

Land improvements	10-15 years
Infrastructure	10-40 years
Buildings and additions	20-40 years
Vehicles	5-10 years
Equipment and machinery	5-10 years

Long-Term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures as it is in the government-wide statements.

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position - Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as described on page 28. Proprietary fund equity is classified the same as in the government-wide statements.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Government-Wide Statements

In the government-wide statement of activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues, include all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Township's policy to use restricted resources first.

Expenses/Expenditures

Government-Wide Statements

In the government-wide statement of activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

The governmental fund financial statements are classified by character: current, debt service, and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and sub-classified by function such as salaries, supplies and contracted services.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Other Financing Sources (Uses)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

Fund Balance - Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either a.) not in spendable form, or b.) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, laws or regulations of other governments. *Committed fund balance*, if any, is reported from amounts that can be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, the Board. A formal resolution of the Board is required to establish, modify or rescind a fund balance commitment. The Township reports *assigned fund balance* for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. *Unassigned fund balance* is the residual classification for the general fund.

When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned balance.

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

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position - Deferred outflows are reported in a separate section following assets, and deferred inflows are reported in a separate section following liabilities. The statement of net position then arrives at net position which includes the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at a special meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at a subsequent board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General Fund and Special Revenue Funds.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

NOTE C - CASH AND CASH EQUIVALENTS

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Total Primary Government	Fiduciary Funds
Cash	\$ 774,543	\$ 846,148	\$ 1,620,691	\$ -
Restricted Cash	-	884,190	884,190	35,923
Total	<u>\$ 774,543</u>	<u>\$ 1,730,338</u>	<u>\$ 2,504,881</u>	<u>\$ 35,923</u>

Michigan statutes authorized the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments below. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2016, \$1,431,460 of the Township's bank balance of \$2,562,850 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business.

Restricted Cash

A summary of the Township's restricted cash at March 31, 2016 is as follows:

Enterprise Funds	
Sewer Fund - Bond requirements	\$ 643,848
Water Fund - Bond requirements	240,342
Fiduciary Fund - Tax Collection	35,923
Total	<u>\$ 920,113</u>

NOTE D - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of March 31, 2016 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable	Not expected to be paid back within one year
General	\$ 84,525	General	\$ 112,430	\$ 112,430
Fire	96,138	Retail Water	84,525	84,525
Cemetery	16,292			
TOTALS	<u>\$ 196,955</u>	TOTALS	<u>\$ 196,955</u>	<u>\$ 196,955</u>

Fund	Interfund Transfers In	Fund	Interfund Transfers Out
General	<u>\$ 7,500</u>	Fire Protection	<u>\$ 7,500</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE E - RECEIVABLES

The detail of receivables at March 31, 2016 are as follows:

Receivables	General	Fire	Cemetery	Proprietary	Total Primary Government
Accounts	\$ -	\$ -	\$ -	\$ 95,337	\$ 95,337
Taxes	6,707	-	964	-	7,671
Special assessment	-	5,320	-	-	5,320
Total receivables	<u>\$ 6,707</u>	<u>\$ 5,320</u>	<u>\$ 964</u>	<u>\$ 95,337</u>	<u>\$ 108,328</u>

NOTE F - CAPITAL ASSETS

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

	Balance 04/01/2015	Additions	Deletions	Balance 03/31/2016
Non depreciable capital assets				
Land	<u>\$ 168,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,779</u>
Capital assets being depreciated:				
Building and additions	1,449,965	\$ -	\$ -	1,449,965
Equipment and machinery	177,782	-	-	177,782
Infrastructure	87,856	-	-	87,856
Office equipment	36,000	-	-	36,000
Vehicles	246,443	-	-	246,443
Subtotal	<u>1,998,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,998,046</u>
Accumulated depreciation:				
Building and additions	1,144,813	\$ 20,249	\$ -	1,165,062
Equipment and machinery	152,614	5,437	-	158,051
Infrastructure	57,477	4,393	-	61,870
Office equipment	36,000	-	-	36,000
Vehicles	208,609	7,565	-	216,174
Subtotal	<u>1,599,513</u>	<u>\$ 37,644</u>	<u>\$ -</u>	<u>1,637,157</u>
Net capital assets being depreciated	<u>398,533</u>			<u>360,889</u>
Net capital assets	<u>\$ 567,312</u>			<u>\$ 529,668</u>

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

Governmental activities	
General government	\$ 22,254
Fire protection	15,390
Total governmental activities	<u>\$ 37,644</u>

The property, plant, and equipment in Township business-type funds at March 31, 2016 are summarized as follows:

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE F - CAPITAL ASSETS (Continued)

SEWER FUNDS

	Balance 4/01/2015	Additions	Deletions	Balance 3/31/2016
<u>Baltic</u>				
Non depreciable capital assets				
Land	\$ 12,170	\$ -	\$ -	\$ 12,170
Capital assets being depreciated:				
Utility system	2,896,967	\$ -	\$ -	2,896,967
Less accumulated depreciation	217,126	\$ 72,424	\$ -	289,550
Net capital assets being depreciated	2,679,841			2,607,417
Net capital assets	\$ 2,692,011			\$ 2,619,587
<u>Painesdale</u>				
Non depreciable capital assets				
Land	\$ 68,761	\$ -	\$ -	\$ 68,761
Capital assets being depreciated:				
Utility system	3,826,318	\$ -	\$ -	3,826,318
Less accumulated depreciation	1,093,696	\$ 97,250	\$ -	1,190,946
Net capital assets being depreciated	2,732,622			2,635,372
Net capital assets	\$ 2,801,383			\$ 2,704,133
<u>Trimountain</u>				
Capital assets being depreciated:				
Utility system	\$ 2,618,928	\$ -	\$ -	\$ 2,618,928
Less accumulated depreciation	469,310	\$ 77,009	\$ -	546,319
Net capital assets being depreciated	\$ 2,149,618			\$ 2,072,609
<u>Atlantic Mine</u>				
Non depreciable capital assets				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets being depreciated:				
Utility system	3,701,815	\$ -	\$ -	3,701,815
Less accumulated depreciation	1,861,898	\$ 105,837	\$ -	1,967,735
Net capital assets being depreciated	1,839,917			1,734,080
Net capital assets	\$ 1,841,917			\$ 1,736,080
Total Sewer System - Capital assets - Net				\$ 9,132,409

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE F - CAPITAL ASSETS (Continued)

WATER FUNDS

<u>Wholesale Water Fund</u>	<u>Balance</u> <u>4/01/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3/31/2016</u>
Non depreciable capital assets				
Land	\$ 13,975	\$ -	\$ -	\$ 13,975
Capital assets being depreciated:				
Buildings	228,833	\$ -	\$ -	228,833
Utility system	2,237,436	-	-	2,237,436
Equipment/Vehicles/Machinery	91,100	14,500	20,618	84,982
Subtotal	2,557,369	\$ 14,500	\$ 20,618	2,551,251
Less accumulated depreciation	1,425,323	\$ 56,392	\$ 20,618	1,461,097
Net capital assets being depreciated	1,132,046			1,090,154
Net capital assets	\$ 1,146,021			\$ 1,104,129
<u>Retail Water Fund</u>				
Non depreciable capital assets				
Land	\$ 39,941	\$ -	\$ -	\$ 39,941
Capital assets being depreciated:				
Buildings	42,201	\$ 120,312	\$ -	162,513
Equipment/Vehicles/Machinery	84,278	-	5,718	78,560
Utility system	1,602,914	-	-	1,602,914
Subtotal	1,729,393	\$ 120,312	\$ 5,718	1,843,987
Less accumulated depreciation	1,592,408	\$ 30,491	\$ 5,718	1,617,181
Net capital assets being depreciated	136,985			226,806
Net capital assets	\$ 176,926			\$ 266,747
Total Water System - Capital assets - Net				\$ 1,370,876

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS

ATLANTIC MINE SEWER FUND

Bond and Interest Redemption Account - The 1995 Sewage Disposal System Revenue Bonds requires that the township set aside each quarter, an amount not less than ½ of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment.

Bond Reserve Account - The 1995 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default.

PAINESDALE SEWER FUND

Bond and Interest Redemption Account - The 2001 Sewage Disposal System Revenue Bond requires that the township set aside each quarter, an amount not less than ½ of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment.

Bond Reserve Account - The 2001 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default.

Repair and Construction Account - The 2001 Sewage Disposal Revenue Bond requires that monies be transferred each quarter of the fiscal year into the Repair and Construction Account in an amount not less than \$2,200, less the amount, if any, deposited into the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the bond.

TRIMOUNTAIN SEWER FUND

Bond and Interest Redemption Account - The 2008 Sewage Disposal System Revenue Bond requires that the township set aside each quarter, an amount not less than ½ of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment.

Bond Reserve Account - The 2008 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default.

Repair and Construction Account - The 2008 Sewage Disposal Revenue Bond requires that monies be transferred each quarter of the fiscal year into the Repair and Construction Account in an amount not less than \$1,662.50, less the amount, if any, deposited into the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the bond.

BALTIC SEWER FUND

Bond and Interest Redemption Account - The 2010 Sewage Disposal System Revenue Bond requires that the township set aside each quarter, an amount not less than ½ of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment.

Bond Reserve Account - The 2010 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default.

Repair, Replacement and Improvement Account - The 2010 Sewage Disposal Revenue Bond requires that monies be transferred each quarter of the fiscal year into the Repair and Construction Account in an amount not less than \$1,512.50, less the amount, if any, deposited into the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the bond.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS (Continued)

At March 31, 2016, the Township had established these accounts and had restricted cash, as required, as follows:

	Required	Amount Funded
<u>Wholesale Water Fund</u>		
Bond and Interest Redemption	\$ 37,743	\$ 37,750
Repair and Replacement Account	100,000	202,592
	<u>\$ 137,743</u>	<u>\$ 240,342</u>
<u>Atlantic Mine Sewer Fund</u>		
Bond and Interest Redemption	\$ 19,376	\$ 164,755
Bond Reserve	38,700	90,460
	<u>\$ 58,076</u>	<u>\$ 255,215</u>
<u>Painesdale Sewer Fund</u>		
Bond and Interest Redemption	\$ 24,898	\$ 127,102
Bond Reserve Account	50,000	55,101
Repair and Replacement Account	16,500	13,194
	<u>\$ 91,398</u>	<u>\$ 195,397</u>
<u>Trimountain Sewer Fund</u>		
Bond and Interest Redemption	\$ 10,228	\$ 74,731
Bond Reserve Account	20,300	14,961
Repair and Replacement Account	26,251	41,258
	<u>\$ 56,779</u>	<u>\$ 130,950</u>
<u>Baltic Sewer Fund</u>		
Bond and Interest Redemption	\$ 21,526	\$ 19,387
Bond Reserve Account	16,500	7,700
Repair and Replacement Account	19,325	35,199
	<u>\$ 57,351</u>	<u>\$ 62,286</u>

NOTE H - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME

Township employees accumulate sick leave days at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2016 and 2015 was \$3,091 and \$5,213, respectively.

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE I - LONG-TERM DEBT

Atlantic Mine 1995 Sewage Disposal - Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system in the Atlantic Mine area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate of 4.5% per annum. The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township.

Fiscal Year	April 1 Interest	October 1		Total
		Interest	Principal	
2016-17	\$ 11,340	\$ 11,340	\$ 16,000	\$ 38,680
2017-18	10,914	10,975	16,000	37,889
2018-19	10,551	10,610	17,000	38,161
2019-20	10,165	10,222	18,000	38,387
2020-21	9,811	9,811	19,000	38,622
2021-22	9,326	9,378	20,000	38,704
2022-23	8,872	8,921	21,000	38,793
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-35	4,765	4,791	104,000	113,556
TOTAL	<u>\$ 134,787</u>	<u>\$ 135,325</u>	<u>\$ 497,000</u>	<u>\$ 728,432</u>

Wholesale Water Supply System Bonds - On June 20, 2013 the Township refinanced the 1992 Water System revenue bonds with Huntington National Bank totaling \$905,000. The original bonds were for the purpose of acquiring and constructing additions and improvements to the Township water distribution system. The bonds bear a varying interest rate of 2.0-4.25% per annum. The payment schedule for the bonds is as follows:

Fiscal Year	June 1		December 1	Total
	Principal	Interest	Interest	
2016-17	\$ 45,000	\$ 13,918	\$ 13,468	\$ 72,386
2017-18	50,000	13,468	12,968	76,436
2018-19	50,000	12,967	12,467	75,434
2019-20	50,000	12,467	11,755	74,222
2020-21	50,000	11,755	11,042	72,797
2021-22	55,000	11,043	10,259	76,302
2022-23	55,000	10,259	9,475	74,734
2023-28	305,000	35,675	29,494	370,169
2028-31	155,000	5,419	2,125	162,544
TOTAL	<u>\$ 815,000</u>	<u>\$ 126,971</u>	<u>\$ 113,053</u>	<u>\$ 1,055,024</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE I - LONG-TERM DEBT (continued)

Painesdale Sewage Disposal System Bond - Sewage Disposal System revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring and constructing the sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate of 4.5% per annum. The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township.

Fiscal Year	April 1 Interest	October 1		Total
		Interest	Principal	
2016-17	\$ 17,148	\$ 17,148	\$ 16,000	\$ 50,296
2017-18	16,784	16,784	17,000	50,568
2018-19	16,398	16,398	17,000	49,796
2019-20	16,011	16,011	18,000	50,022
2020-21	15,603	15,603	19,000	50,206
2021-22	15,171	15,171	20,000	50,342
2022-23	14,717	14,717	21,000	50,434
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	174,000	193,806
TOTAL	<u>\$ 271,587</u>	<u>\$ 271,587</u>	<u>\$ 755,000</u>	<u>\$ 1,298,174</u>

Trimountain Sewage Disposal System Bond - Sewage Disposal System (Trimountain) revenue bond was issued in 2008 in the amount of \$552,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Trimountain area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate of 4.5% per annum. The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

Fiscal Year	June 1		December 1	Total
	Principal	Interest	Interest	
2016-17	\$ 7,000	\$ 10,457	\$ 10,313	\$ 27,770
2017-18	8,000	10,313	10,148	28,461
2018-19	8,000	10,148	9,983	28,131
2019-20	8,000	9,983	9,817	27,800
2020-21	9,000	9,817	9,632	28,449
2021-22	9,000	9,632	9,446	28,078
2022-23	10,000	9,446	9,240	28,686
2023-28	54,000	44,076	42,962	141,038
2028-33	66,000	38,012	36,651	140,663
2033-38	80,000	30,649	28,999	139,648
2038-43	99,000	21,656	19,614	140,270
2043-48	120,000	10,622	8,147	138,769
2048-49	29,000	598	-	29,598
TOTAL	<u>\$ 507,000</u>	<u>\$ 215,409</u>	<u>\$ 204,952</u>	<u>\$ 927,361</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE I - LONG-TERM DEBT (continued)

Baltic Sewage Disposal System Bond - Sewage Disposal System (Baltic) revenue bond was issued in 2010 in the amount of \$672,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Baltic area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate of 2.375% per annum.

Fiscal Year	June 1		December 1	Total
	Principal	Interest	Interest	
2016-17	\$ 11,000	\$ 8,553	\$ 8,553	\$ 28,106
2017-18	11,000	8,401	8,401	27,802
2018-19	11,000	8,250	8,250	27,500
2019-20	12,000	8,099	8,099	28,198
2020-21	12,000	7,934	7,934	27,868
2021-22	12,000	7,769	7,769	27,538
2022-23	13,000	7,604	7,604	28,208
2023-28	69,000	35,297	35,297	139,594
2028-33	79,000	30,278	30,278	139,556
2033-38	91,000	24,516	24,516	140,032
2038-43	104,000	17,903	17,903	139,806
2043-48	118,000	10,395	10,395	138,790
2048-50	79,000	2,186	2,186	83,372
TOTAL	<u>\$ 622,000</u>	<u>\$ 177,185</u>	<u>\$ 177,185</u>	<u>\$ 976,370</u>

Long term liabilities activity are reported and liquidated through the Atlantic Mine Sewer Fund, Wholesale Water Fund, Painesdale Sewer Fund, Baltic Sewer Fund, and the Trimountain Sewer Fund.

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2016:

	Balance 4/01/15	Additions	Reductions	Balance 3/31/16	Current Portion
Enterprise					
Atlantic Mine Sewer	\$ 512,000	\$ -	\$ 15,000	\$ 497,000	\$ 16,000
Wholesale Water 2013	860,000	-	45,000	815,000	45,000
Painesdale Sewer	770,000	-	15,000	755,000	16,000
Trimountain Sewer	514,000	-	7,000	507,000	7,000
Baltic Sewer	633,000	-	11,000	622,000	11,000
Sub-Total Bonds	<u>3,289,000</u>	<u>-</u>	<u>93,000</u>	<u>3,196,000</u>	<u>95,000</u>
Accrued compensated absences	5,213	-	2,122	3,091	-
TOTALS	<u>\$ 3,294,213</u>	<u>\$ -</u>	<u>\$ 95,122</u>	<u>\$ 3,199,091</u>	<u>\$ 95,000</u>

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE I - LONG-TERM DEBT (continued)

As of March 31, 2016, the aggregate maturities of enterprise funds long-term debt for the next eight years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016-17	\$ 122,238	\$ 95,000	\$ 217,238
2017-18	119,156	102,000	221,156
2018-19	116,022	103,000	219,022
2019-20	194,312	321,000	515,312
2020-21	138,564	379,000	517,564
2021-22	86,106	146,000	232,106
2022-23	81,121	65,000	146,121
2023-28	363,536	362,000	725,536
2028-33	281,885	440,000	721,885
2033-38	183,690	460,000	643,690
2038-43	96,882	377,000	473,882
2043-48	39,559	238,000	277,559
2048-49	4,970	108,000	112,970
TOTALS	\$ 1,828,041	\$ 3,196,000	\$ 5,024,041

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2016 is as follows:

	<u>Baltic Sewer</u>	<u>Painesdale Sewer</u>	<u>Trimountain Sewer</u>
Operating Revenues	\$ 56,048	\$ 91,819	\$ 60,734
Depreciation	\$ 72,424	\$ 97,249	\$ 77,008
Operating Income (Loss)	\$ (38,926)	\$ (24,038)	\$ (39,346)
Non-operating Revenue (Expense)	\$ (14,868)	\$ (34,601)	\$ (21,037)
Net Income (Loss)	\$ (53,794)	\$ (58,639)	\$ (60,383)
Property, Plant & Equipment Additions	\$ -	\$ -	\$ -
Net Working Capital (Deficit)	\$ 39,371	\$ 229,476	\$ 40,118
Total Assets	\$ 2,732,343	\$ 3,145,165	\$ 2,250,771
Total Equity	\$ 2,110,244	\$ 2,389,006	\$ 1,743,677

	<u>Atlantic Mine Sewer</u>	<u>Wholesale Water</u>	<u>Retail Water</u>
Operating Revenues	\$ 80,952	\$ 396,255	\$ 205,091
Depreciation	\$ 105,837	\$ 56,393	\$ 30,491
Operating Income (Loss)	\$ (53,294)	\$ 148,389	\$ (62,057)
Non-operating Revenue (Expense)	\$ (22,767)	\$ (27,149)	\$ (474)
Net Income (Loss)	\$ (76,061)	\$ 121,240	\$ (62,531)
Property, Plant & Equipment Additions	\$ -	\$ -	\$ -
Net Working Capital (Deficit)	\$ 69,516	\$ 320,888	\$ (38,891)
Total Assets	\$ 2,075,929	\$ 1,712,739	\$ 412,013
Total Equity	\$ 1,578,811	\$ 895,359	\$ 227,856

TOWNSHIP OF ADAMS
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

NOTE K - DEFINED CONTRIBUTION PLAN

The Township is a member of the John Hancock Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The Township administers a defined contribution plan with the John Hancock Life Insurance Company in accordance with the provisions of the John Hancock Defined Contribution Pension Plan for Government Employees.

Plan Description - The Department of Public Works Employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The investment of Plan assets is the responsibility of the participants.

Township contribution for the year ended March 31, 2016	\$	3,306
Employee contributions	\$	11,916
Active members		8
Total annual payroll for active members	\$	196,765
Employer contribution as a percentage of payroll		1.68%
Plan assets at the most recent valuation date (March 31, 2016)	\$	147,022

NOTE M - CONTINGENT LIABILITIES

The Township has received financial assistance from state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the Township at March 31, 2016.

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE O - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF ADAMS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended March 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
REVENUES:				
Current property taxes	\$ 56,000	\$ 56,000	\$ 58,755	\$ 2,755
Special assessment - street lights	15,000	15,000	12,440	(2,560)
Other tax	1,000	1,100	1,072	(28)
State shared revenue	130,000	135,000	136,379	1,379
Metro act (SOM EFT Annual Main)	-	1,800	1,788	(12)
Administration and collection fees	15,000	20,500	25,645	5,145
Cemetery fees	7,000	7,000	6,430	(570)
Interest	150	1,300	1,906	606
Franchise fees	11,000	11,500	11,457	(43)
Reimbursements	2,000	1,900	1,826	(74)
Contributions	-	200	208	8
Miscellaneous	2,500	800	856	56
Rentals	3,000	6,000	2,805	(3,195)
TOTAL REVENUE	242,650	258,100	261,567	3,467
EXPENDITURES:				
General government				
Township board	6,500	6,000	4,337	1,663
Township supervisor	10,000	10,000	10,000	-
Legal, accounting, and audit	31,000	29,000	27,382	1,618
Clerk	9,500	9,550	9,372	178
Treasurer	15,250	14,410	14,031	379
Assessor	23,500	23,500	22,296	1,204
Elections	3,700	3,300	3,563	(263)
Building and grounds	40,000	75,700	72,955	2,745
Cemetery	14,100	10,200	10,000	200
Constable	-	-	-	-
Public works	31,700	31,000	28,818	2,182
Recreation	1,500	1,860	1,616	244
Library	500	400	340	60
Other activities	38,700	39,050	39,042	8
TOTAL EXPENDITURES	225,950	253,970	243,752	10,218
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,700	4,130	17,815	13,685
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	7,500	7,500
NET CHANGE IN FUND BALANCE	\$ 16,700	\$ 4,130	25,315	\$ 21,185
FUND BALANCE - BEGINNING OF YEAR			726,014	
FUND BALANCE - END OF YEAR			\$ 751,329	

SUPPLEMENTAL FINANCIAL INFORMATION

TOWNSHIP OF ADAMS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended March 31, 2016

REVENUES:

Current property taxes	\$ 58,755
Special assessment - street lights	12,440
Other tax	1,072
State shared revenues	136,379
Other state revenue	1,788
Administration and collection fees	25,645
Cemetery fees	6,430
Interest	1,906
Franchise fees	11,457
Reimbursements	1,826
Contributions	208
Miscellaneous	856
Rentals	2,805
TOTAL REVENUES	<u>261,567</u>

EXPENDITURES:

ASSESSOR:

Salaries	20,000
Supplies	2,296
Total assessor	<u>22,296</u>

SUPERVISOR:

Salaries	10,000
Total supervisor	<u>10,000</u>

CLERK:

Salaries	9,078
Office supplies	228
Travel expenses	66
Total clerk	<u>9,372</u>

TREASURER:

Salaries	10,809
Supplies	1,700
Printing and publishing	1,522
Total treasurer	<u>14,031</u>

ACCOUNTING:

Salaries	6,106
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TOWNSHIP BOARD:

Salaries	3,000
Supplies	576
Printing and publishing	761
Total township board	<u>4,337</u>

TOWNSHIP OF ADAMS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Year Ended March 31, 2016

GENERAL ADMINISTRATION:

Gen. Professional Fees	21,276
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CEMETERY:

Salaries	5,716
Supplies	3,147
Utilities	227
Contract labor	910
Total cemetery	10,000

PUBLIC WORKS:

Supplies	1,384
Utilities	27,339
Repair & maintenance	95
Total public works	28,818

OTHER ACTIVITIES:

Payroll taxes	11,367
Employee benefits	3,306
Insurance	20,488
Board of review	1,075
Miscellaneous	2,806
Total other activities	39,042

RECREATION:

Supplies	181
Utilities	1,285
Capital outlay	150
Total recreation	1,616

LIBRARY:

Utilities	340
Total library	340

ELECTIONS:

Salaries	2,110
Supplies	1,272
Printing and publishing	147
Miscellaneous	34
Total elections	3,563

BUILDING AND GROUNDS:

Salaries	19,923
Supplies	43,519
Utilities	9,513
Total maintenance building	72,955

TOWNSHIP OF ADAMS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (Continued)
Year Ended March 31, 2016

TOTAL EXPENDITURES	<u>243,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,815</u>
OTHER FINANCING SOURCES (USES)	
Transfer in (out)	<u>7,500</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	25,315
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>726,014</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 751,329</u>

TOWNSHIP OF ADAMS
SPECIAL REVENUE FUNDS
BALANCE SHEETS
March 31, 2016

	Fire Protection Fund	Cemetery Fund	Total
ASSETS:			
Taxes receivable	\$ -	\$ 964	\$ 964
Special assessments receivable	5,320	-	5,320
Due from other funds	96,138	16,292	112,430
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 101,458	\$ 17,256	\$ 118,714
	<hr/>	<hr/>	<hr/>
LIABILITIES:			
Accounts payable	\$ -	\$ -	-
	<hr/>	<hr/>	<hr/>
FUND EQUITY:			
Restricted	101,458	17,256	118,714
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 101,458	\$ 17,256	\$ 118,714
	<hr/>	<hr/>	<hr/>

TOWNSHIP OF ADAMS
SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2016

	Fire Protection Fund	Cemetery Fund	Total
REVENUES:			
Special assessment	\$ 44,200	\$ -	\$ 44,200
Property taxes	-	13,849	13,849
Total revenues	<u>44,200</u>	<u>13,849</u>	<u>58,049</u>
EXPENDITURES:			
Salaries	-	8,481	8,481
Supplies	8,065	-	8,065
Utilities	4,641	-	4,641
Repairs and maintenance	1,960	-	1,960
Total expenditures	<u>14,666</u>	<u>8,481</u>	<u>23,147</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	29,534	5,368	34,902
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(7,500)	-	(7,500)
Total other financing sources (uses)	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>79,424</u>	<u>11,888</u>	<u>91,312</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 101,458</u>	<u>\$ 17,256</u>	<u>\$ 118,714</u>

TOWNSHIP OF ADAMS
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
March 31, 2016

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
ASSETS:							
Cash	\$ 32,741	\$ 232,526	\$ 40,240	\$ 79,118	\$ 330,708	\$ 130,815	\$ 846,148
Accounts receivable	17,729	13,109	6,972	5,516	37,560	14,451	95,337
Restricted cash	62,286	195,397	130,950	255,215	240,342	-	884,190
Capital assets - net	2,619,587	2,704,133	2,072,609	1,736,080	1,104,129	266,747	10,503,285
Total assets	2,732,343	3,145,165	2,250,771	2,075,929	1,712,739	412,013	12,328,960
LIABILITIES:							
Accounts payable	-	986	-	-	1,093	99,529	101,608
Due to other funds	-	-	-	-	-	84,525	84,525
Current maturities on bond payable	11,000	15,000	7,000	15,000	45,000	-	93,000
Accrued expenses	99	173	94	118	1,287	103	1,874
Long term bonds payable	611,000	740,000	500,000	482,000	770,000	-	3,103,000
Total liabilities	622,099	756,159	507,094	497,118	817,380	184,157	3,384,007
NET POSITION:							
Reserved	62,250	192,182	154,136	246,120	239,711	-	894,399
Unreserved	2,047,994	2,196,824	1,589,541	1,332,691	655,648	227,856	8,050,554
Total net position	\$ 2,110,244	\$ 2,389,006	\$ 1,743,677	\$ 1,578,811	\$ 895,359	\$ 227,856	\$ 8,944,953

TOWNSHIP OF ADAMS
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
March 31, 2016

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
OPERATING REVENUES:							
Charges for services	\$ 56,048	\$ 91,371	\$ 60,734	\$ 80,952	\$ 396,051	\$ 205,091	\$ 890,247
Other	-	448	-	-	204	-	652
Total operating revenues	56,048	91,819	60,734	80,952	396,255	205,091	890,899
OPERATING EXPENSES							
Salaries, wages, and fringe benefits	7,501	7,740	7,248	8,764	54,677	145,026	230,956
Supplies, materials, and other	1,409	6,811	3,108	2,661	39,987	13,815	67,791
Repair and maintenance	8,487	-	3,718	2,137	1,981	70,754	87,077
Insurance	-	1,975	1,975	1,343	6,628	6,406	18,327
Utilities	5,153	1,426	6,623	10,608	81,059	656	105,525
Other services and support	-	656	400	2,896	6,925	-	10,877
Capital outlay	-	-	-	-	216	-	216
Depreciation	72,424	97,249	77,008	105,837	56,393	30,491	439,402
Total operating expenses	94,974	115,857	100,080	134,246	247,866	267,148	960,171
OPERATING INCOME (LOSS)	(38,926)	(24,038)	(39,346)	(53,294)	148,389	(62,057)	(69,272)
NON-OPERATING REVENUES (EXPENSES):							
Interest income	35	49	21	273	1,136	174	1,688
Interest expense	(14,903)	(34,650)	(21,058)	(23,040)	(28,285)	(648)	(122,584)
Total non-operating revenues (expenses)	(14,868)	(34,601)	(21,037)	(22,767)	(27,149)	(474)	(120,896)
NET INCOME (LOSS)	(53,794)	(58,639)	(60,383)	(76,061)	121,240	(62,531)	(190,168)
RETAINED EARNINGS, BEGINNING OF YEAR	2,164,038	2,447,645	1,804,060	1,654,872	774,119	290,387	9,135,121
RETAINED EARNINGS, END OF YEAR	\$ 2,110,244	\$ 2,389,006	\$ 1,743,677	\$ 1,578,811	\$ 895,359	\$ 227,856	\$ 8,944,953

TOWNSHIP OF ADAMS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
March 31, 2016

	Enterprise Funds						
	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 51,787	\$ 87,913	\$ 61,241	\$ 80,275	\$ 400,350	\$ 204,289	\$ 885,855
Payments to suppliers	(15,049)	(9,882)	(15,824)	(19,645)	(136,167)	2,325	(194,242)
Payments to employees	(7,445)	(7,625)	(7,161)	(8,667)	(53,661)	(145,484)	230,043
Other receipts (payments)	-	448	-	-	204	-	652
Net cash provided by operating activities	29,293	70,854	38,256	51,963	210,726	61,130	462,222
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating subsidies and transfers to other funds	(124,039)	-	(33,405)	(8,478)	(432)	81,216	(85,138)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	-	-	-	-	-	-	-
Purchases of capital assets	-	-	-	-	(14,500)	(120,312)	(134,812)
Principal paid on capital debt	(11,000)	(15,000)	(7,000)	(15,000)	(45,000)	-	(93,000)
Interest paid on capital debt	(14,903)	(34,650)	(21,058)	(23,040)	(28,285)	(648)	(122,584)
Net cash (used) by capital related financing activities	(25,903)	(49,650)	(28,058)	(38,040)	(87,785)	(120,960)	(350,396)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends	35	49	21	273	1,136	174	1,688
Net (decrease) in cash and cash equivalents	(120,614)	21,253	(23,186)	5,718	123,645	21,560	28,376
CASH AT BEGINNING OF YEAR	215,641	406,669	194,375	328,615	447,406	109,255	1,701,961
CASH AT END OF YEAR	\$ 95,027	\$ 427,922	\$ 171,189	\$ 334,333	\$ 571,051	\$ 130,815	\$ 1,730,337
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (38,926)	\$ (24,038)	\$ (39,346)	\$ (53,294)	\$ 148,389	\$ (62,057)	\$ (69,272)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation expense	72,424	97,249	77,008	105,837	56,393	30,491	439,402
Change in assets and liabilities							
Receivables, net	(4,261)	(3,458)	507	(677)	4,299	(802)	(4,392)
Accounts and other payables	-	986	-	-	629	93,956	95,571
Accrued expenses	56	115	87	97	1,016	(458)	913
Net cash provided by operating activities	\$ 29,293	\$ 70,854	\$ 38,256	\$ 51,963	\$ 210,726	\$ 61,130	\$ 462,222

COMMUNICATIONS SECTION

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

310 Sheldon Avenue, Houghton, Michigan 49931
906.482.6601 906.482.9046 fax www.rukkilanegro.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Township Board
Township of Adams
Houghton County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Township of Adams for the year ended March 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Township of Adams are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2016. We noted no transactions entered into by The Township of Adams 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 financial statements is current judgements.

Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define 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 September 6, 2016.

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 of Adams's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the 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 RSI.

We were engaged to report on the supplemental financial information, 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 use of the Township of Adams board and management and is not intended to be and should not be used for anyone other than these specified parties.

It has been a pleasure to provide audit services to the Township of Adams. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

**Rukkila, Negro & Associates,
Certified Public Accountants, PC**

September 6, 2016

TOWNSHIP OF ADAMS
COMMENTS AND RECOMMENDATIONS

During our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Budget

The Uniform Budgeting Act requires entities to approve an operating budget prior to the beginning of the year and that all amendments to budget made throughout the year are approved. Townships shall not incur expenditures in excess of the amount appropriated. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended March 31, 2016, the Township incurred expenditures which were in excess of the amounts appropriated as shown within the required supplemental financial information.

There were three areas that expenditures exceeded budgeted amounts. The Township should control expenditures in each governmental fund so as not to exceed the amounts appropriated. When this is not possible, the budget should be amended accordingly. We recommend that the Township Supervisor and Clerk review the provisions of Public Act 2 of 1968, as amended, to determine proper compliance procedures.