

ADAMS TOWNSHIP

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED MARCH 31, 2017

ADAMS TOWNSHIP

March 31, 2017

ELECTED OFFICIALS

Supervisor.....	Gerald Heikkinen
Clerk.....	Debra Pindral
Treasurer.....	Nancy Immonen
Trustee.....	David Mattila
Trustee.....	Diane Keranen

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Adams Township
Houghton County 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 Adams Township as of and for the year then ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams Township as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 10 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional information on pages 43 to 50 are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information on pages 43 to 50 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 and Associates,
Certified Public Accountants, PC*

July 18, 2017

ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017

This section of Adams Township annual Financial Report presents Management's Discussion and Analysis of the Township's financial activities during the fiscal year ended March 31, 2017. 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 Adams Township, 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.

Overview of the Financial Statements (Continued)

- 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.
- 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 services. Enterprise funds are reported in the same way. 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.

ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017

Summary of Net Position

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Assets				
Current and other assets	\$ 960,122	\$ 877,420	\$ 1,348,544	\$ 1,741,150
Capital assets - net	524,763	529,668	10,154,615	10,503,285
Total assets	1,484,885	1,407,088	11,503,159	12,244,435
Liabilities				
Current liabilities	3,632	7,377	113,158	103,482
Noncurrent liabilities	1,830	3,091	2,649,000	3,196,000
Total liabilities	5,462	10,468	2,762,158	3,299,482
Net position				
Net investment in capital assets	524,763	526,577	7,403,615	7,307,285
Restricted				
Fire Protection	116,530	101,458	-	-
Cemetery	21,182	17,256	-	-
Debt Service	-	-	894,399	894,399
Unrestricted	816,948	751,329	442,987	743,269
Total net position	\$ 1,479,423	\$ 1,396,620	\$ 8,741,001	\$ 8,944,953

Results of Operations

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Program Revenue:				
Charges for services	\$ 8,750	\$ 6,430	\$ 775,596	\$ 890,247
Grants and contributions	1,500	208	-	-
General Revenue:				
Taxes	147,334	155,961	-	-
State shared revenue	139,916	136,379	-	-
Other revenues	28,604	20,638	2,071	2,340
Total revenues	326,104	319,616	777,667	892,587
Functions/program expenses				
General government	135,380	198,104	-	-
Public safety	15,452	14,666	-	-
Public works	41,536	37,299	981,619	1,082,755
Recreation	1,427	1,956	-	-
Other	49,506	50,396	-	-
Total expenses	243,301	302,421	981,619	1,082,755
Change in net position	82,803	17,195	(203,952)	(190,168)
Net position - Beginning	1,396,620	1,379,425	8,944,953	9,135,121
Net position - Ending	\$ 1,479,423	\$ 1,396,620	\$ 8,741,001	\$ 8,944,953

ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017

Results of Operations (Continued)

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

	<u>2017</u>	<u>% of total</u>	<u>2016</u>	<u>% of total</u>
Revenues				
Charges for services	\$ 8,750	2.68 %	\$ 6,430	2.01 %
Capital grants and contributions	1,500	0.46 %	208	0.07 %
Taxes	147,334	45.18 %	155,961	48.80 %
State shared revenue	139,916	42.91 %	136,379	42.67 %
Other revenues	28,604	8.77 %	20,638	6.45 %
Total revenues	<u>\$ 326,104</u>	<u>100.00 %</u>	<u>319,616</u>	<u>100.00 %</u>
Expenditures				
General government	\$ 139,950	58.40 %	\$ 162,582	60.92 %
Public safety	21,468	8.96 %	14,666	5.49 %
Public works	41,536	17.33 %	37,299	13.97 %
Recreation	1,427	0.60 %	1,956	0.73 %
Other	35,276	14.72 %	50,396	18.89 %
Total expenditures	<u>\$ 239,657</u>	<u>100.01 %</u>	<u>\$ 266,899</u>	<u>100.00 %</u>

The following chart highlight the Township's business-type activities by revenue, expenditures, and net position.

<u>ENTERPRISE FUNDS</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
BALTIC SEWER			
Revenues/Transfers	\$ 51,885	\$ 56,083	\$ (4,198)
Expenditures/Transfers	\$ 103,457	\$ 109,877	\$ (6,420)
Fund Balance	\$ 2,058,671	\$ 2,110,244	\$ (51,573)
PAINESDALE SEWER			
Revenues/Transfers	\$ 90,654	\$ 91,868	\$ (1,214)
Expenditures/Transfers	\$ 146,370	\$ 150,507	\$ (4,137)
Fund Balance	\$ 2,333,291	\$ 2,389,006	\$ (55,715)
TRIMOUNTAIN SEWER			
Revenues/Transfers	\$ 60,980	\$ 60,755	\$ 225
Expenditures/Transfers	\$ 116,924	\$ 121,138	\$ (4,214)
Fund Balance	\$ 1,687,731	\$ 1,743,677	\$ (55,946)
ATLANTIC SEWER			
Revenues/Transfers	\$ 79,653	\$ 81,225	\$ (1,572)
Expenditures/Transfers	\$ 162,231	\$ 157,286	\$ 4,945
Fund Balance	\$ 1,496,234	\$ 1,578,811	\$ (82,577)
WHOLESALE WATER			
Revenues/Transfers	\$ 291,115	\$ 397,391	\$ (106,276)
Expenditures/Transfers	\$ 316,804	\$ 276,151	\$ 40,653
Fund Balance	\$ 869,670	\$ 895,359	\$ (25,689)
RETAIL WATER			
Revenues/Transfers	\$ 203,380	\$ 205,265	\$ (1,885)
Expenditures/Transfers	\$ 135,833	\$ 267,796	\$ (131,963)
Fund Balance	\$ 295,404	\$ 227,856	\$ 67,548

**ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2017**

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.

As of the end of the current fiscal year, the Township's governmental activities reported combined unrestricted fund balances of \$816,948.

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 \$818,778. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 393% of total General Fund 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 of the Townships proprietary funds at the end of the year amounted to \$8,741,001.

Budgetary Highlights

The Township amended the budget once throughout the year. There were no significant variations between final budget and actual amounts.

Capital Assets and Debt Administration

The Township's investment in capital assets for the governmental and business-type activities as of March 31, 2017, amounts to \$10,679,378. 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 30 of this report.

Long-term Debt

At the end of the current fiscal year, the Township had total debt of \$2,751,000. This total amount is backed by the full faith and credit of the Township. The Township's total debt decreased by \$445,000 during the fiscal year.

Additional information on the Township's long-term debt can be found starting at page 35 of this report.

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 P.O. Box 520 South Range, Michigan 49963, (906) 482-4420.

ADAMS TOWNSHIP
STATEMENT OF NET POSITION
March 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 773,301	\$ 609,183	\$ 1,382,484
Receivables	13,566	100,218	113,784
Due from other funds	169,151	(169,151)	-
Due from fiduciary funds	4,104	-	4,104
Restricted cash	-	808,294	808,294
Capital assets - net	524,763	10,154,615	10,679,378
Total assets	<u>1,484,885</u>	<u>11,503,159</u>	<u>12,988,044</u>
Liabilities			
Accounts payable	3,632	11,158	14,790
Due within one year	-	102,000	102,000
Bonds payable, due in more than one year	-	2,649,000	2,649,000
Compensated absences	1,830	-	1,830
Total liabilities	<u>5,462</u>	<u>2,762,158</u>	<u>2,767,620</u>
Net position			
Net investment in capital assets	524,763	7,403,615	7,928,378
Restricted			
Fire	116,530	-	116,530
Cemetery	21,182	-	21,182
Debt service	-	894,399	894,399
Unrestricted	816,948	442,987	1,259,935
Total net position	<u>\$ 1,479,423</u>	<u>\$ 8,741,001</u>	<u>\$ 10,220,424</u>

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

ADAMS TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions		Primary Government		
			Operating	Capital	Governmental	Business-Type	Total
Government Activities							
General government	\$ 135,380	\$ 8,750	\$ 1,500	\$ -	\$ (125,130)	\$ -	\$ (125,130)
Public safety	15,452	-	-	-	(15,452)	-	(15,452)
Public works	41,536	-	-	-	(41,536)	-	(41,536)
Recreation	1,427	-	-	-	(1,427)	-	(1,427)
Other	49,506	-	-	-	(49,506)	-	(49,506)
Total governmental activities	<u>243,301</u>	<u>8,750</u>	<u>1,500</u>	<u>-</u>	<u>(233,051)</u>	<u>-</u>	<u>(233,051)</u>
Business-type activities:							
Water	452,637	492,717	-	-	-	40,080	40,080
Sewer	528,982	282,879	-	-	-	(246,103)	(246,103)
Total business-type activities	<u>981,619</u>	<u>775,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(206,023)</u>	<u>(206,023)</u>
Total primary government	<u>\$ 1,224,920</u>	<u>\$ 784,346</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>(233,051)</u>	<u>(206,023)</u>	<u>(439,074)</u>
General revenues:							
Taxes, levied for general operations					147,334	-	147,334
State shared revenue					139,916	-	139,916
Interest and investment earnings					3,386	1,678	5,064
Other revenues					<u>25,218</u>	<u>393</u>	<u>25,611</u>
Total general revenues, transfers, and special items					<u>315,854</u>	<u>2,071</u>	<u>317,925</u>
Change in net position					82,803	(203,952)	(121,149)
Net position - Beginning of year					<u>1,396,620</u>	<u>8,944,953</u>	<u>10,341,573</u>
Net position - End of year					<u>\$ 1,479,423</u>	<u>\$ 8,741,001</u>	<u>\$ 10,220,424</u>

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

ADAMS TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2017

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 773,301	\$ -	\$ 773,301
Receivables	7,011	995	8,006
Special assessment receivable	-	5,560	5,560
Due from other funds	169,151	131,157	300,308
Due from fiduciary funds	4,104	-	4,104
Total assets	<u>\$ 953,567</u>	<u>\$ 137,712</u>	<u>\$ 1,091,279</u>
Liabilities			
Accrued expenses	\$ 3,632	\$ -	\$ 3,632
Due to other funds	131,157	-	131,157
Total liabilities	<u>134,789</u>	<u>-</u>	<u>134,789</u>
Fund balances			
Restricted			
Fire Protection	-	116,530	116,530
Cemetery	-	21,182	21,182
Unassigned	818,778	-	818,778
Total fund balances	<u>818,778</u>	<u>137,712</u>	<u>956,490</u>
Total liabilities and fund balances	<u>\$ 953,567</u>	<u>\$ 137,712</u>	<u>\$ 1,091,279</u>

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

ADAMS TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION (Continued)
March 31, 2017

Fund Balance Reported in Governmental Funds	\$ 956,490
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	524,763
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,830)</u>
Net position of governmental activities	<u><u>\$ 1,479,423</u></u>

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

ADAMS TOWNSHIP
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended March 31, 2017

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 89,736	\$ 57,598	\$ 147,334
State shared revenue	139,916	-	139,916
Other state revenue	2,459	-	2,459
Charges for services	8,750	-	8,750
Interest	3,386	-	3,386
Rentals	3,315	-	3,315
Contributions	1,500	-	1,500
Other revenues	19,444	-	19,444
Total revenues	<u>268,506</u>	<u>57,598</u>	<u>326,104</u>
Expenditures			
General government	139,950	-	139,950
Public safety	-	21,468	21,468
Public works	31,904	9,632	41,536
Parks	1,427	-	1,427
Other activities	35,276	-	35,276
Total expenditures	<u>208,557</u>	<u>31,100</u>	<u>239,657</u>
Excess (deficiency) of revenues over expenditures	<u>59,949</u>	<u>26,498</u>	<u>86,447</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>67,449</u>	<u>18,998</u>	<u>86,447</u>
Fund balances - Beginning of year	751,329	118,714	870,043
Fund balances - End of year	<u>\$ 818,778</u>	<u>\$ 137,712</u>	<u>\$ 956,490</u>

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

ADAMS TOWNSHIP
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ 86,447
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; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	(4,905)
Accrued sick pay recorded in the statement of activities is not recorded ad expenditures in the governmental funds until they are incurred.	<u>1,261</u>
Change in net position of governmental activities	<u><u>\$ 82,803</u></u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF NET POSITION
March 31, 2017

	<u>Business-Type Activities</u>		
	<u>Major Funds</u>		
	<u>Sewer Systems</u>	<u>Water Systems</u>	<u>Total</u>
Assets			
Cash	\$ 128,484	\$ 480,699	\$ 609,183
Accounts receivable	54,030	46,188	100,218
Due from other funds	15,800	-	15,800
Restricted cash	577,886	230,408	808,294
Capital assets - net	8,796,810	1,357,805	10,154,615
Total assets	<u>9,573,010</u>	<u>2,115,100</u>	<u>11,688,110</u>
Liabilities			
Accounts payable	-	8,807	8,807
Accrued expenses	283	2,068	2,351
Due to other funds	15,800	169,151	184,951
Current maturities	52,000	50,000	102,000
Bonds payable, due in more than one year	1,929,000	720,000	2,649,000
Total liabilities	<u>1,997,083</u>	<u>950,026</u>	<u>2,947,109</u>
Net Position			
Reserved	654,688	239,711	894,399
Unreserved	6,921,239	925,363	7,846,602
Total net position	<u>\$ 7,575,927</u>	<u>\$ 1,165,074</u>	<u>\$ 8,741,001</u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year ended March 31, 2017

	Business-Type Activities		
	Major Funds		
	Sewer Systems	Water Systems	Total
Operating revenues			
Charges for services	\$ 282,879	\$ 492,717	\$ 775,596
Other revenues	1	392	393
Total operating revenues	<u>282,880</u>	<u>493,109</u>	<u>775,989</u>
Operating expenses			
Salaries, wages, and fringe benefits	24,824	167,247	192,071
Supplies, materials, and other	9,095	41,078	50,173
Repair and maintenance	13,813	21,285	35,098
Insurance	2,847	13,034	15,881
Utilities	29,011	85,000	114,011
Other services and support	4,494	19,665	24,159
Capital outlay	719	240	959
Depreciation	352,659	77,287	429,946
Total operating expenses	<u>437,462</u>	<u>424,836</u>	<u>862,298</u>
Operating income (loss)	<u>(154,582)</u>	<u>68,273</u>	<u>(86,309)</u>
Non-operating revenues (expenses)			
Interest income	292	1,386	1,678
Interest expense	(91,520)	(27,801)	(119,321)
Total non-operating revenues (expenses)	<u>(91,228)</u>	<u>(26,415)</u>	<u>(117,643)</u>
Net income (loss)	(245,810)	41,858	(203,952)
Net position (deficit), beginning of year	<u>7,821,737</u>	<u>1,123,216</u>	<u>8,944,953</u>
Net position (deficit), end of year	<u>\$ 7,575,927</u>	<u>\$ 1,165,074</u>	<u>\$ 8,741,001</u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year ended March 31, 2017

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 272,175	\$ 498,540	\$ 770,715
Payments to suppliers	(60,965)	(272,117)	(333,082)
Internal activity - receipts (payments) to other funds	1	392	393
Payments to employees	(25,025)	(166,569)	(191,594)
Net cash provided by operating activities	<u>186,186</u>	<u>60,246</u>	<u>246,432</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers to other funds	<u>-</u>	<u>84,626</u>	<u>84,626</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(17,060)	(64,216)	(81,276)
Principal paid on capital debt	(400,000)	(45,000)	(445,000)
Interest paid on capital debt	(91,520)	(27,801)	(119,321)
Net cash (used) by capital and related financing activities	<u>(508,580)</u>	<u>(137,017)</u>	<u>(645,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>293</u>	<u>1,386</u>	<u>1,679</u>
Net cash provided by investing activities	<u>293</u>	<u>1,386</u>	<u>1,679</u>
Net (decrease) in cash	(322,101)	9,241	(312,860)
Balances - beginning of the year	<u>1,028,471</u>	<u>701,866</u>	<u>1,730,337</u>
Balances - end of the year	<u>\$ 706,370</u>	<u>\$ 711,107</u>	<u>\$ 1,417,477</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (154,582)	\$ 68,273	(86,309)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	352,659	77,287	429,946
Change in assets and liabilities			
Receivables, net	(10,704)	5,823	(4,881)
Accounts and other payables	(986)	(91,815)	(92,801)
Accrued expenses	(201)	678	477
Net cash provided by operating activities	<u>\$ 186,186</u>	<u>\$ 60,246</u>	<u>\$ 246,432</u>

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

ADAMS TOWNSHIP
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2017

	Tax Collection Fund
Assets	
Cash and equivalents	\$ 36,532
Liabilities	
Due to general fund	\$ 4,104
Due to other governmental units	32,428
Total liabilities	\$ 36,532

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

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

Adams Township was organized on March 19, 1867 and covers an area of 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 Adams Township, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

REPORTING ENTITY

Adams Township 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 and its component unit.

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 the water fund which represents the business-type activity of 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 interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net position are reported as restricted when constraints placed on net asset 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 asset use.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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 three major governmental funds are each presented in a single column on the governmental fund 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 fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

Cemetery Fund - The fund is used to account 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended March 31, 2017, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Purpose</u>	<u>Mills</u>
Township Operating	Operating	1.2790
Cemetery Extra Voted	Operating	0.2951

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 26. Proprietary fund equity is classified the same as in the government-wide statements.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. During February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1 and submits the proposed budget to the Township Board of Trustees at a special meeting in March.
- b. The Township Board of Trustees reviews the 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 as it deems appropriate.
- e. Budget appropriations 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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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	Enterprise Funds	Total Primary Government	Fiduciary Funds
Cash	\$ 773,301	\$ 609,183	\$ 1,382,484	\$ -
Restricted cash	-	808,294	808,294	36,532
Total cash	<u>\$ 773,301</u>	<u>\$ 1,417,477</u>	<u>\$ 2,190,778</u>	<u>36,532</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

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, 2017, \$1,216,209 of the Township's bank balance of \$2,174,254 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township 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 Township does business.

Restricted Cash

A summary of the Township's restricted cash at March 31, 2017 is as follows:

Enterprise Funds	
Sewer Fund - Bond requirements	\$ 577,886
Water Fund - Bond requirements	230,408
Fiduciary Fund - Tax Collection	<u>36,532</u>
Total	<u>\$ 844,826</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE D - INTER-FUND RECEIVABLES AND PAYABLES

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, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>	<u>Not expected to be paid back within one year</u>
General	\$ 169,151	General	\$ 131,157	\$ -
Fire	110,970	Retail Water	169,151	169,151
Cemetery	20,187	Wholesale Water	-	-
Baltic Sewer	15,800	Painesdale Sewer	15,800	15,800
Total	<u>\$ 316,108</u>	Total	<u>\$ 316,108</u>	<u>\$ 184,951</u>

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

NOTE E - RECEIVABLES

The detail of receivables at March 31, 2017 are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ -	\$ 100,218	\$ 100,218
Taxes	7,011	-	995	-	8,006
Special Assessment	-	5,560	-	-	5,560
Total receivables	<u>\$ 7,011</u>	<u>\$ 5,560</u>	<u>\$ 995</u>	<u>\$ 100,218</u>	<u>\$ 113,784</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE F - CAPITAL ASSETS

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

	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets, not being depreciated				
Land	\$ 168,779	\$ -	\$ -	\$ 168,779
Capital assets, being depreciated				
Buildings and additions	1,449,965	\$ -	\$ -	1,449,965
Equipment and machinery	177,782	6,016	-	183,798
Infrastructure	87,856	-	-	87,856
Office equipment	36,000	-	-	36,000
Vehicles	246,443	30,070	14,352	262,161
Subtotal	<u>1,998,046</u>	<u>\$ 36,086</u>	<u>\$ 14,352</u>	<u>2,019,780</u>
Accumulated depreciation				
Buildings and additions	1,165,062	\$ 19,373	\$ -	1,184,435
Equipment and machinery	158,051	5,538	-	163,589
Infrastructure	61,870	4,393	-	66,263
Office equipment	36,000	-	-	36,000
Vehicles	216,174	11,687	14,352	213,509
Subtotal	<u>1,637,157</u>	<u>\$ 40,991</u>	<u>\$ 14,352</u>	<u>1,663,796</u>
Net capital assets being depreciated	<u>360,889</u>			<u>355,984</u>
Net capital assets	<u>\$ 529,668</u>			<u>\$ 524,763</u>

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

General Government	\$ 26,126
Fire Protection	<u>14,865</u>
	<u>\$ 40,991</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE F - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds (Water Funds) at March 31, 2017 are summarized as follows:

SEWER FUNDS

<u>Baltic</u>	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets, not being depreciated				
Land	\$ 12,170	\$ -	\$ -	\$ 12,170
Capital assets, being depreciated				
Utility system	2,896,967	\$ -	\$ -	2,896,967
Less accumulated depreciation	289,550	\$ 72,424	\$ -	361,974
Net capital assets being depreciated	2,607,417			2,534,993
Net capital assets	<u>\$ 2,619,587</u>			<u>\$ 2,547,163</u>

<u>Painesdale</u>	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets, not being depreciated				
Land	\$ 68,761	\$ -	\$ -	\$ 68,761
Capital assets, being depreciated				
Utility system	3,826,318	\$ -	\$ -	3,826,318
Less accumulated depreciation	1,190,945	\$ 97,249	\$ -	1,288,194
Net capital assets being depreciated	2,635,373			2,538,124
Net capital assets	<u>\$ 2,704,134</u>			<u>\$ 2,606,885</u>

<u>Trimountain</u>	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets, being depreciated				
Utility system	\$ 2,618,928	\$ 4,600	\$ -	\$ 2,623,528
Less accumulated depreciation	546,319	\$ 77,130	\$ -	623,449
Net capital assets being depreciated	<u>\$ 2,072,609</u>			<u>\$ 2,000,079</u>

<u>Atlantic Mine</u>	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
Capital assets, not being depreciated				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets, being depreciated				
Utility system	3,701,815	\$ 12,459	\$ -	3,714,274
Less accumulated depreciation	1,967,735	\$ 105,856	\$ -	2,073,591
Net capital assets being depreciated	1,734,080			1,640,683
Net capital assets	<u>\$ 1,736,080</u>			<u>\$ 1,642,683</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE F - CAPITAL ASSETS (Continued)

WATER FUNDS

	Balance April 01, 2016	Additions	Deletions	Balance March 31, 2017
<u>Wholesale Water</u>				
Capital assets, not being depreciated				
Land	\$ 13,975	\$ -	\$ -	\$ 13,975
Capital assets, being depreciated				
Buildings	228,833	\$ -	\$ -	228,833
Utility system	2,237,436	7,996	-	2,245,432
Equipment/Vehicles/Machinery	84,982	-	-	84,982
Subtotal	2,551,251	\$ 7,996	\$ -	2,559,247
Less accumulated depreciation	1,461,097	\$ 59,037	\$ -	1,520,134
Net capital assets being depreciated	1,090,154			1,039,113
Net capital assets	\$ 1,104,129			\$ 1,053,088
	Balance			Balance
<u>Retail Water</u>	April 01, 2016	Additions	Deletions	March 31, 2017
Capital assets, not being depreciated				
Land	\$ 39,941	\$ -	\$ -	\$ 39,941
Capital assets, being depreciated				
Buildings	162,513	\$ 56,220	\$ -	218,733
Utility system	1,602,914	-	-	1,602,914
Equipment/Vehicles/Machinery	78,560	-	-	78,560
Subtotal	1,843,987	\$ 56,220	\$ -	1,900,207
Less accumulated depreciation	1,617,181	\$ 18,250	\$ -	1,635,431
Net capital assets being depreciated	226,806			264,776
Net capital assets	\$ 266,747			\$ 304,717

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS

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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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 $\frac{1}{2}$ of the amount of interest due on the next interest payment and $\frac{1}{4}$ 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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS (Continued)

At March 31, 2017, the Township has established these restricted cash accounts, as required:

	Required	Amount Funded
<u>Wholesale Water Fund</u>		
Bond & Interest Redemption	\$ 38,053	\$ 37,806
Repair and Replacement	100,000	192,602
	<u>\$ 138,053</u>	<u>\$ 230,408</u>
<u>Atlantic Mine Sewer Fund</u>		
Bond & Interest Redemption	\$ 18,980	\$ 71,412
Bond Reserve	38,700	90,641
	<u>\$ 57,680</u>	<u>\$ 162,053</u>
<u>Painesdale Sewer Fund</u>		
Bond and Interest Redemption	\$ 25,034	\$ 77,797
Bond Reserve Account	50,000	55,101
Repair and Replacement Account	19,800	85,837
	<u>\$ 94,834</u>	<u>\$ 218,735</u>
<u>Trimountain Sewer Fund</u>		
Bond and Interest Redemption	\$ 10,906	\$ 33,607
Bond Reserve Account	23,200	50,301
Repair and Replacement Account	30,002	46,280
	<u>\$ 64,108</u>	<u>\$ 130,188</u>
<u>Baltic Sewer Fund</u>		
Bond and Interest Redemption	\$ 12,450	\$ 25,000
Bond Reserve Account	19,300	19,300
Repair and Replacement Account	22,575	22,610
	<u>\$ 54,325</u>	<u>\$ 66,910</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, 2017 and 2016 was \$1,830 and \$3,091, respectively.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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	October 1		Total
	Interest	Interest	Principal	
2017-2018	10,822	10,822	16,000	37,644
2018-2019	10,463	10,463	17,000	37,926
2019-2020	10,080	10,080	18,000	38,160
2020-2021	9,675	9,675	19,000	38,350
2021-2022	9,247	9,247	20,000	38,494
2022-2023	8,798	8,798	21,000	38,596
2023-2028	36,540	36,540	119,000	192,080
2028-2033	21,915	21,915	147,000	190,830
2033-2035	4,725	4,725	4,000	13,450
Total	<u>\$ 122,265</u>	<u>\$ 122,265</u>	<u>\$ 381,000</u>	<u>\$ 625,530</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	
2017-2018	50,000	13,468	12,968	76,436
2018-2019	50,000	12,967	12,467	75,434
2019-2020	50,000	12,467	11,755	74,222
2020-2021	50,000	11,755	11,042	72,797
2021-2022	55,000	11,043	10,259	76,302
2022-2023	55,000	10,259	9,475	74,734
2023-2028	305,000	35,675	29,494	370,169
2028-2031	155,000	5,419	2,125	162,544
Total	<u>\$ 770,000</u>	<u>\$ 113,053</u>	<u>\$ 99,585</u>	<u>\$ 982,638</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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	October 1		Total
	Interest	Interest	Principal	
2017-2018	16,784	16,784	17,000	50,568
2018-2019	16,398	16,398	17,000	49,796
2019-2020	16,011	16,011	18,000	50,022
2020-2021	15,603	15,603	19,000	50,206
2021-2022	15,171	15,171	20,000	50,342
2022-2023	14,717	14,717	21,000	50,434
2023-2028	65,978	65,978	120,000	251,956
2028-2033	51,147	51,147	148,000	250,294
2033-2038	32,727	32,727	159,000	224,454
Total	<u>\$ 244,536</u>	<u>\$ 244,536</u>	<u>\$ 539,000</u>	<u>\$ 1,028,072</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	
2017-2018	8,000	10,313	10,148	28,461
2018-2019	8,000	10,148	9,983	28,131
2019-2020	8,000	9,983	9,817	27,800
2020-2021	9,000	9,817	9,632	28,449
2021-2022	9,000	9,632	9,446	28,078
2022-2023	10,000	9,446	9,240	28,686
2023-2028	54,000	44,076	42,962	141,038
2028-2033	66,000	38,012	36,651	140,663
2033-2038	80,000	30,649	28,999	139,648
2038-2043	99,000	21,656	19,614	140,270
2043-2048	99,000	10,622	8,147	117,769
Total	<u>\$ 450,000</u>	<u>\$ 204,354</u>	<u>\$ 194,639</u>	<u>\$ 848,993</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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	
2017-2018	11,000	8,401	8,401	27,802
2018-2019	11,000	8,250	8,250	27,500
2019-2020	12,000	8,099	8,099	28,198
2020-2021	12,000	7,934	7,934	27,868
2021-2022	12,000	7,769	7,769	27,538
2022-2023	13,000	7,604	7,604	28,208
2023-2028	69,000	35,297	35,297	139,594
2028-2033	79,000	30,278	30,278	139,556
2033-2038	91,000	24,516	24,516	140,032
2038-2043	104,000	17,903	17,903	139,806
2043-2048	118,000	10,395	10,395	138,790
2048-2049	79,000	2,186	2,186	83,372
Total	<u>\$ 611,000</u>	<u>\$ 168,632</u>	<u>\$ 168,632</u>	<u>\$ 948,264</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, 2017:

	Balance April 01, 2016	Increase	Decrease	Balance March 31, 2017	Current Portion
Enterprise					
Atlantic Mine Sewer	497,000	-	116,000	381,000	16,000
Wholesale Water 2013	815,000	-	45,000	770,000	50,000
Painesdale Sewer	755,000	-	216,000	539,000	17,000
Trimountain Sewer	507,000	-	57,000	450,000	8,000
Baltic Sewer	622,000	-	11,000	611,000	11,000
Sub-Total Bonds	<u>3,196,000</u>	<u>-</u>	<u>445,000</u>	<u>2,751,000</u>	<u>102,000</u>
Accrued compensated absences	<u>3,091</u>	<u>-</u>	<u>1,261</u>	<u>1,830</u>	<u>-</u>
Total	<u>\$ 3,199,091</u>	<u>\$ -</u>	<u>\$ 446,261</u>	<u>\$ 2,752,830</u>	<u>\$ 102,000</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

NOTE I - LONG-TERM DEBT (Continued)

As of March 31, 2017, the aggregate maturities of enterprise funds long-term for the next eight years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017-2018	118,910	102,000	220,910
2018-2019	115,787	103,000	218,787
2019-2020	194,085	321,000	515,085
2020-2021	138,292	379,000	517,292
2021-2022	85,896	146,000	231,896
2022-2023	80,924	65,000	145,924
2023-2028	362,669	362,000	724,669
2028-2033	281,343	440,000	721,343
2033-2038	183,584	334,000	517,584
2038-2043	77,076	203,000	280,076
2043-2048	39,559	217,000	256,559
2048-2049	4,372	79,000	83,372
Total	<u>\$ 1,682,497</u>	<u>\$ 2,751,000</u>	<u>\$ 4,433,497</u>

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained one Enterprise Fund which provides water services to all residents. Segment information for the year ended March 31, 2017 is as follows:

	<u>Baltic Sewer</u>	<u>Painesdale Sewer</u>	<u>Trimountain Sewer</u>
Operating revenues	\$ 51,885	\$ 90,621	\$ 60,958
Depreciation	\$ 72,424	\$ 97,249	\$ 77,130
Income (loss) from operations	\$ (36,930)	\$ (21,774)	\$ (35,428)
Non-operating revenues (expenses)	\$ (14,642)	\$ (33,942)	\$ (20,516)
Net income (loss)	\$ (51,572)	\$ (55,716)	\$ (55,944)
Property, plant & equipment additions	\$ -	\$ -	\$ -
Net working capital (deficit)	\$ 44,598	\$ 29,671	\$ (536)
Total assets	\$ 2,669,767	\$ 2,888,220	\$ 2,137,731
Total equity	\$ 2,058,671	\$ 2,333,291	\$ 1,687,731

	<u>Atlantic Mine Sewer</u>	<u>Wholesale Water</u>	<u>Retail Water</u>
Operating revenues	\$ 79,416	\$ 289,951	\$ 203,158
Depreciation	\$ 105,856	\$ 59,037	\$ 18,250
Income (loss) from operations	\$ (60,450)	\$ 532	\$ 67,741
Non-operating revenues (expenses)	\$ (22,128)	\$ (26,221)	\$ (194)
Net income (loss)	\$ (82,578)	\$ (25,689)	\$ 67,547
Property, plant & equipment additions	\$ -	\$ -	\$ -
Net working capital (deficit)	\$ 56,498	\$ 306,174	\$ (9,313)
Total assets	\$ 1,877,292	\$ 1,641,409	\$ 473,691
Total equity	\$ 1,496,234	\$ 869,670	\$ 295,404

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2017

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, 2017	\$	3,563
Employee contributions	\$	7,169
Active members		7
Total annual payroll for active members	\$	150,823
Employer contribution as a percentage of payroll		4.75 %
Plan assets at the most recent valuation date (March 31, 2017)	\$	76,980

NOTE L - CONTINGENT LIABILITIES

The Township has received financial assistance from federal and state agencies. The disbursement of funds received 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, 2017.

NOTE M - 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 N - SUBSEQUENT EVENTS

On July 10, 2017 the Township signed a bond agreement with USDA Rural Development in the amount of \$1,992,000 for the Atlantic Mine and Trimountain water lines replacement project.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAMS TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2017**

	Budgeted Amounts			Variance Final
	Original	Final	Actual	to Actual
Revenues				
Taxes	\$ 56,000	\$ 65,900	\$ 58,631	\$ (7,269)
Special assessment	15,000	11,500	12,480	980
Other taxes	1,100	1,200	1,153	(47)
State shared revenue	140,000	140,000	139,916	(84)
Other state revenue	1,800	2,500	2,459	(41)
Administration and collection fees	20,500	10,500	17,472	6,972
Cemetery fees	7,000	8,900	8,750	(150)
Interest	1,400	1,050	3,386	2,336
Franchise fees	11,500	11,500	11,352	(148)
Reimbursements	1,900	7,100	7,085	(15)
Contributions	-	1,500	1,500	-
Other revenues	4,100	1,050	1,007	(43)
Rentals	3,000	3,100	3,315	215
Total revenues	<u>263,300</u>	<u>265,800</u>	<u>268,506</u>	<u>2,706</u>
Expenditures				
Township board	6,000	5,500	6,276	(776)
Supervisor	10,000	10,000	10,000	-
Legal, accounting, and audit	29,000	28,250	21,165	7,085
Clerk	9,650	9,650	9,632	18
Treasurer	14,710	15,010	14,972	38
Assessor	23,600	23,000	21,983	1,017
Elections	3,800	3,650	3,572	78
Building and grounds	49,800	39,750	38,135	1,615
Cemetery	12,300	13,100	12,890	210
Public Works	30,600	31,953	31,904	49
Recreation	1,850	1,500	1,427	73
Other activities	44,738	41,400	36,601	4,799
Total expenditures	<u>236,048</u>	<u>222,763</u>	<u>208,557</u>	<u>14,206</u>
Excess (deficiency) of revenues over expenditures	27,252	43,037	59,949	16,912
Other financing sources (uses)				
Operating transfer in (out)	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Net change in fund balance	<u>\$ 27,252</u>	<u>\$ 43,037</u>	67,449	<u>\$ 24,412</u>
Fund balances - Beginning of year			<u>751,329</u>	
Fund balances - End of year			<u>\$ 818,778</u>	

SUPPLEMENTARY INFORMATION

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended March 31, 2017

REVENUES

Taxes	\$ 58,631
Special assessment	12,480
Other taxes	1,153
State shared revenue	139,916
Other state revenue	2,459
Administration and collection fees	17,472
Cemetery fees	8,750
Interest	3,386
Franchise fees	11,352
Reimbursements	7,085
Contributions	1,500
Miscellaneous	1,007
Rentals	3,315
Total revenues	<u>268,506</u>

EXPENDITURES

Assessor	
Salaries	20,000
Supplies	1,983
Total Assessor	<u>21,983</u>
Supervisor	
Salaries	10,000
Total supervisor	<u>10,000</u>
Clerk	
Salaries	9,000
Supplies	600
Travel	32
Total clerk	<u>9,632</u>
Treasurer	
Salaries	10,710
Supplies	1,874
Printing and publishing	2,388
Total treasurer	<u>14,972</u>

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
For the Year Ended March 31, 2017

Accounting	
Salaries	5,129
Total accounting	<u>5,129</u>
 Township Board	
Salaries	3,000
Supplies	2,876
Printing and publishing	400
Total township board	<u>6,276</u>
 General Administration	
Professional services	16,021
Miscellaneous	15
Total general administration	<u>16,036</u>
 Cemetery	
Salaries	5,953
Supplies	4,613
Utilities	279
Capital outlay	1,619
Contracted services	426
Total town hall	<u>12,890</u>
 Public Works	
Supplies	2,382
Utilities	28,303
Repairs and maintenance	1,219
Total public works	<u>31,904</u>
 Other Activities	
Payroll taxes	6,971
Fringe benefits	5,671
Insurance	17,487
Board of review	1,045
Miscellaneous	5,427
Total other activities	<u>36,601</u>
 Recreation	
Utilities	1,427
Total recreation	<u>1,427</u>

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
For the Year Ended March 31, 2017

Elections	
Salaries	2,174
Supplies	1,128
Printing and publishing	244
Other services and support	26
Total elections	<u>3,572</u>
Maintenance building	
Salaries	14,667
Supplies	11,986
Utilities	10,342
Miscellaneous	1,140
Total maintenance building	<u>38,135</u>
Total expenditures	<u>208,557</u>
Excess revenues (expenditures)	<u>59,949</u>
Other financing sources (uses)	
Operating transfers in (out)	<u>7,500</u>
Excess of revenues and other financing sources over expenditures and other financing uses	67,449
Fund balance (deficit), beginning of year	<u>751,329</u>
Fund balance (deficit), end of year	<u><u>\$ 818,778</u></u>

ADAMS TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
March 31, 2017

	<u>Fire</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Taxes receivable	\$ -	\$ 995	\$ 995
Special assessment receivable	5,560	-	5,560
Due from other funds	110,970	20,187	131,157
Total assets	<u>\$ 116,530</u>	<u>\$ 21,182</u>	<u>\$ 137,712</u>
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances			
Restricted	<u>116,530</u>	<u>21,182</u>	<u>137,712</u>
Total liabilities and fund balances	<u>\$ 116,530</u>	<u>\$ 21,182</u>	<u>\$ 137,712</u>

ADAMS TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2017

	<u>Fire</u>	<u>Road Improvement</u>	<u>Total</u>
Revenues			
Special assessment	\$ 44,040	\$ -	\$ 44,040
Taxes	-	13,558	13,558
Total revenues	<u>44,040</u>	<u>13,558</u>	<u>57,598</u>
Expenditures			
Salaries	-	9,632	9,632
Supplies	12,955	-	12,955
Utilities	4,743	-	4,743
Repair/maintenance buildings	3,770	-	3,770
Total expenditures	<u>21,468</u>	<u>9,632</u>	<u>31,100</u>
Excess revenues (expenditures)	22,572	3,926	26,498
Other financing sources (uses)			
Operating transfers in (out)	<u>(7,500)</u>	-	<u>(7,500)</u>
Fund balances - Beginning of year	<u>101,458</u>	<u>17,256</u>	<u>118,714</u>
Fund balances - End of year	<u><u>\$ 116,530</u></u>	<u><u>\$ 21,182</u></u>	<u><u>\$ 137,712</u></u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
March 31, 2017

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
Assets							
Cash	\$ 22,209	\$ 43,692	\$ -	\$ 62,583	\$ 327,668	\$ 153,031	\$ 609,183
Accounts receivable	17,685	18,908	7,464	9,973	30,245	15,943	100,218
Due from other funds	15,800	-	-	-	-	-	15,800
Restricted cash	66,910	218,735	130,188	162,053	230,408	-	808,294
Capital assets - net	<u>2,547,163</u>	<u>2,606,885</u>	<u>2,000,079</u>	<u>1,642,683</u>	<u>1,053,088</u>	<u>304,717</u>	<u>10,154,615</u>
Total assets	<u>2,669,767</u>	<u>2,888,220</u>	<u>2,137,731</u>	<u>1,877,292</u>	<u>1,641,409</u>	<u>473,691</u>	<u>11,688,110</u>
Liabilities							
Accounts payable	-	-	-	-	752	8,055	8,807
Due to other funds	-	15,800	-	-	-	169,151	184,951
Current maturities	11,000	17,000	8,000	16,000	50,000	-	102,000
Accrued expenses	96	129	-	58	987	1,081	2,351
Bonds payable, due in more than one year	<u>600,000</u>	<u>522,000</u>	<u>442,000</u>	<u>365,000</u>	<u>720,000</u>	<u>-</u>	<u>2,649,000</u>
Total liabilities	<u>611,096</u>	<u>554,929</u>	<u>450,000</u>	<u>381,058</u>	<u>771,739</u>	<u>178,287</u>	<u>2,947,109</u>
Net position							
Restricted	62,250	192,182	154,136	246,120	239,711	-	894,399
Unreserved	<u>1,996,421</u>	<u>2,141,109</u>	<u>1,533,595</u>	<u>1,250,114</u>	<u>629,959</u>	<u>295,404</u>	<u>7,846,602</u>
Total net position	<u>\$ 2,058,671</u>	<u>\$ 2,333,291</u>	<u>\$ 1,687,731</u>	<u>\$ 1,496,234</u>	<u>\$ 869,670</u>	<u>\$ 295,404</u>	<u>\$ 8,741,001</u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2017

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
Revenues							
Charges for services	\$ 51,885	\$ 90,620	\$ 60,958	\$ 79,416	\$ 289,559	\$ 203,158	\$ 775,596
Other revenues	-	1	-	-	392	-	393
Total revenues	<u>51,885</u>	<u>90,621</u>	<u>60,958</u>	<u>79,416</u>	<u>289,951</u>	<u>203,158</u>	<u>775,989</u>
Expenditures							
Salaries, wages, and fringe benefits	5,626	6,889	4,961	7,348	72,677	94,570	192,071
Supplies, materials, and other	665	5,496	1,035	1,899	35,639	5,439	50,173
Repair and maintenance	3,166	-	3,751	6,896	11,094	10,191	35,098
Insurance	-	752	752	1,343	6,628	6,406	15,881
Utilities	6,934	1,769	8,518	11,790	84,439	561	114,011
Other services and support	-	-	-	4,494	19,665	-	24,159
Capital outlay	-	240	239	240	240	-	959
Depreciation	<u>72,424</u>	<u>97,249</u>	<u>77,130</u>	<u>105,856</u>	<u>59,037</u>	<u>18,250</u>	<u>429,946</u>
Total expenditures	<u>88,815</u>	<u>112,395</u>	<u>96,386</u>	<u>139,866</u>	<u>289,419</u>	<u>135,417</u>	<u>862,298</u>
Excess (deficiency) of revenues over expenditures	(36,930)	(21,774)	(35,428)	(60,450)	532	67,741	(86,309)
Non-operating revenues (expenses)							
Interest income	-	33	22	237	1,164	222	1,678
Interest expense	<u>(14,642)</u>	<u>(33,975)</u>	<u>(20,538)</u>	<u>(22,365)</u>	<u>(27,385)</u>	<u>(416)</u>	<u>(119,321)</u>
Total non-operating revenues (expenses)	<u>(14,642)</u>	<u>(33,942)</u>	<u>(20,516)</u>	<u>(22,128)</u>	<u>(26,221)</u>	<u>(194)</u>	<u>(117,643)</u>
Net income (loss)	(51,572)	(55,716)	(55,944)	(82,578)	(25,689)	67,547	(203,952)
Fund balances - Beginning of year	<u>2,110,243</u>	<u>2,389,007</u>	<u>1,743,675</u>	<u>1,578,812</u>	<u>895,359</u>	<u>227,857</u>	<u>8,944,953</u>
Fund balances - End of year	<u>\$ 2,058,671</u>	<u>\$ 2,333,291</u>	<u>\$ 1,687,731</u>	<u>\$ 1,496,234</u>	<u>\$ 869,670</u>	<u>\$ 295,404</u>	<u>\$ 8,741,001</u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended March 31, 2017

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Mine Sewer	Wholesale Water	Retail Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 51,928	\$ 84,822	\$ 60,466	\$ 74,961	\$ 296,874	\$ 201,666	\$ 770,717
Payments to suppliers	(10,765)	(9,243)	(14,295)	(26,662)	(158,047)	(114,070)	(333,082)
Other revenues	-	1	-	-	392	-	393
Payments to employees	(5,629)	(6,933)	(5,055)	(7,408)	(72,977)	(93,592)	(191,594)
Net cash provided by operating activities	<u>35,534</u>	<u>68,647</u>	<u>41,116</u>	<u>40,891</u>	<u>66,242</u>	<u>(5,996)</u>	<u>246,434</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating subsidies and transfers to other funds	<u>(15,800)</u>	<u>15,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,626</u>	<u>84,626</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	-	-	(4,600)	(12,460)	(7,996)	(56,220)	(81,276)
Principal paid on capital debt	(11,000)	(216,000)	(57,000)	(116,000)	(45,000)	-	(445,000)
Interest paid on capital debt	(14,642)	(33,975)	(20,538)	(22,365)	(27,385)	(416)	(119,321)
Net cash (used) by capital and related financing activities	<u>(25,642)</u>	<u>(249,975)</u>	<u>(82,138)</u>	<u>(150,825)</u>	<u>(80,381)</u>	<u>(56,636)</u>	<u>(645,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends	<u>-</u>	<u>33</u>	<u>21</u>	<u>237</u>	<u>1,164</u>	<u>222</u>	<u>1,677</u>
Net (decrease) in cash	(5,908)	(165,495)	(41,001)	(109,697)	(12,975)	22,216	(312,860)
Cash at - beginning of the year	<u>95,027</u>	<u>427,922</u>	<u>171,189</u>	<u>334,333</u>	<u>571,051</u>	<u>130,815</u>	<u>1,730,337</u>
Cash at - end of the year	<u><u>\$ 89,119</u></u>	<u><u>\$ 262,427</u></u>	<u><u>\$ 130,188</u></u>	<u><u>\$ 224,636</u></u>	<u><u>\$ 558,076</u></u>	<u><u>\$ 153,031</u></u>	<u><u>\$ 1,417,477</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (36,930)	\$ (21,774)	\$ (35,428)	\$ (60,450)	\$ 532	\$ 67,741	(86,309)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	72,424	97,249	77,130	105,856	59,037	18,250	429,946
Change in assets and liabilities							
Receivables, net	43	(5,798)	(492)	(4,455)	7,314	(1,491)	(4,879)
Accounts and other payables	-	(986)	-	-	(341)	(91,474)	(92,801)
Accrued expenses	(3)	(44)	(94)	(60)	(300)	978	477
Net cash provided by operating activities	<u><u>\$ 35,534</u></u>	<u><u>\$ 68,647</u></u>	<u><u>\$ 41,116</u></u>	<u><u>\$ 40,891</u></u>	<u><u>\$ 66,242</u></u>	<u><u>\$ (5,996)</u></u>	<u><u>\$ 246,434</u></u>

COMMUNICATIONS SECTION

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Township Board
Adams Township
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 Adams Township for the year ended March 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Adams Township 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, 2017. We noted no transactions entered into by the Adams Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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 in determining that it is 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 July 18, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Adams 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 Adams Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension requirements 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 Adams Township 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 Adams Township. 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*

July 18, 2017