

ADAMS TOWNSHIP

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

YEAR ENDED MARCH 31, 2018

ADAMS TOWNSHIP

March 31, 2018

ELECTED OFFICIALS

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	5
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	13
Statement of Activities.....	14
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds.....	18
Combining Statement of Net Position - Proprietary Funds.....	19
Combining Statement of Revenues, Expenditures, and Changes in Net Position - Proprietary Funds.....	20
Combining Statement of Cash Flows - Proprietary Funds.....	21
Statement of Fiduciary Net Position.....	22
Notes to Financial Statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	44
SUPPLEMENTARY INFORMATION	
<u>General Fund</u>	
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance.....	46
<u>Special Revenue Funds:</u>	
Combining Balance Sheets.....	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance.....	50
<u>Enterprise Funds</u>	
Combining Balance Sheets.....	51
Combining Statement of Revenues, Expenditures, and Changes in Net Position.....	52
Combining Statement of Cash Flows.....	53

TABLE OF CONTENTS

	Page
FEDERAL AWARD PROGRAMS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	57
Schedule of Expenditures of Federal Awards.....	59
Notes to the Schedule of Expenditures of Federal Awards.....	60
Schedule of Findings and Questioned Costs.....	61
COMMUNICATIONS SECTION	
Communication with Those Charged With Governance.....	63

RUKKILA I NEGRO AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Adams Township
Houghton County , Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Adams Township as of and for the year then ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, based on our audit and the report of other auditors, 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, 2018, 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 8 through 12 and 44 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated August 20, 2018 on our consideration of Adams Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township's internal control over financial reporting and compliance.

August 20, 2018

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

ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018

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, 2018. 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, 2018

Summary of Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Assets				
Current and other assets	\$ 1,044,691	\$ 960,122	\$ 1,784,690	\$ 1,348,544
Capital assets - net	506,449	524,763	10,413,310	10,154,615
Total assets	1,551,140	1,484,885	12,198,000	11,503,159
Liabilities				
Current liabilities	5,397	3,632	155,434	113,158
Noncurrent liabilities	1,849	1,830	3,336,000	2,649,000
Total liabilities	7,246	5,462	3,491,434	2,762,158
Net position				
Net investment in capital assets	506,449	524,763	6,942,310	7,403,615
Restricted				
Fire Protection	117,230	116,530	-	-
Cemetery	22,279	21,182	-	-
Debt Service	-	-	293,097	894,399
Unrestricted	897,936	816,948	1,471,159	442,987
Total net position	\$ 1,543,894	\$ 1,479,423	\$ 8,706,566	\$ 8,741,001

Results of Operations

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Program Revenue:				
Charges for services	\$ 10,230	\$ 8,750	\$ 799,512	\$ 775,596
Grants and contributions	1,600	1,500	-	-
General Revenue:				
Taxes	147,052	147,334	-	-
State shared revenue	150,131	139,916	-	-
Other revenues	26,384	28,604	3,811	2,071
Total revenues	335,397	326,104	803,323	777,667
Functions/program expenses				
General government	158,172	135,380	-	-
Public safety	28,823	15,452	-	-
Public works	45,660	41,536	867,376	981,619
Recreation	1,102	1,427	-	-
Other	37,169	49,506	-	-
Total expenses	270,926	243,301	867,376	981,619
Change in net position	64,471	82,803	(64,053)	(203,952)
Net position - Beginning (Restated)	1,479,423	1,396,620	8,770,619	8,944,953
Net position - Ending	\$ 1,543,894	\$ 1,479,423	\$ 8,706,566	\$ 8,741,001

ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018

Results of Operations (Continued)

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

	2018	% of total	2017	% of total
Revenues				
Charges for services	\$ 10,230	3.05 %	\$ 8,750	2.69 %
Capital grants and contributions	1,600	0.48 %	1,500	0.46 %
Taxes	147,052	43.84 %	147,334	45.18 %
State shared revenue	150,131	44.76 %	139,916	42.91 %
Other revenues	26,384	7.87 %	28,604	8.76 %
Total revenues	<u>\$ 335,397</u>	<u>100.00 %</u>	<u>326,104</u>	<u>100.00 %</u>
Expenditures				
General government	\$ 158,172	58.38 %	\$ 135,380	55.64 %
Public safety	28,823	10.64 %	15,452	6.35 %
Public works	45,660	16.85 %	41,536	17.07 %
Recreation	1,102	0.41 %	1,427	0.59 %
Other	37,169	13.72 %	49,506	20.35 %
Total expenditures	<u>\$ 270,926</u>	<u>100.00 %</u>	<u>\$ 243,301</u>	<u>100.00 %</u>

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

ENTERPRISE FUNDS	2018	2017	Change
BALTIC SEWER			
Revenues/Transfers	\$ 46,390	\$ 51,885	\$ (5,495)
Expenditures/Transfers	\$ 100,481	\$ 103,457	\$ (2,976)
Fund Balance	\$ 2,004,580	\$ 2,058,671	\$ (54,091)
PAINESDALE SEWER			
Revenues/Transfers	\$ 84,682	\$ 90,654	\$ (5,972)
Expenditures/Transfers	\$ 136,785	\$ 146,370	\$ (9,585)
Fund Balance	\$ 2,281,188	\$ 2,333,291	\$ (52,103)
TRIMOUNTAIN SEWER			
Revenues/Transfers	\$ 61,192	\$ 60,980	\$ 212
Expenditures/Transfers	\$ 111,202	\$ 116,924	\$ (5,722)
Fund Balance	\$ 1,637,721	\$ 1,687,731	\$ (50,010)
ATLANTIC SEWER			
Revenues/Transfers	\$ 76,066	\$ 79,653	\$ (3,587)
Expenditures/Transfers	\$ 154,173	\$ 162,231	\$ (8,058)
Fund Balance	\$ 1,418,127	\$ 1,496,234	\$ (78,107)
WHOLESALE WATER			
Revenues/Transfers	\$ 302,983	\$ 291,115	\$ 11,868
Expenditures/Transfers	\$ 265,577	\$ 316,804	\$ (51,227)
Fund Balance	\$ 908,758	\$ 869,670	\$ 39,088
RETAIL WATER			
Revenues/Transfers	\$ 230,328	\$ 203,380	\$ 26,948
Expenditures/Transfers	\$ 99,158	\$ 135,833	\$ (36,675)
Fund Balance (Restated)	\$ 456,192	\$ 295,404	\$ 160,788

**ADAMS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2018**

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 \$897,936.

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 \$899,785. 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 443% 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 \$8,706,566.

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, 2018, amounts to \$10,919,759. 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 32 of this report.

Long-term Debt

At the end of the current fiscal year, the Township had total debt of \$3,471,000. This total amount is backed by the full faith and credit of the Township. The Township's total debt decreased by \$102,000 during the fiscal year.

Additional information on the Township's long-term debt can be found starting at page 37 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, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash	\$ 1,030,139	\$ 1,406,053	\$ 2,436,192
Receivables	13,493	83,858	97,351
Due from other funds	(1,682)	1,682	-
Due from fiduciary funds	2,741	-	2,741
Restricted cash	-	293,097	293,097
Capital assets - net	506,449	10,413,310	10,919,759
Total assets	<u>1,551,140</u>	<u>12,198,000</u>	<u>13,749,140</u>
Liabilities			
Accounts payable	5,397	20,434	25,831
Due within one year	-	135,000	135,000
Bonds payable, due in more than one year	-	3,336,000	3,336,000
Compensated absences	1,849	-	1,849
Total liabilities	<u>7,246</u>	<u>3,491,434</u>	<u>3,498,680</u>
Net position			
Net investment in capital assets	506,449	6,942,310	7,448,759
Restricted			
Fire	117,230	-	117,230
Cemetery	22,279	-	22,279
Debt service	-	293,097	293,097
Unrestricted	897,936	1,471,159	2,369,095
Total net position	<u>\$ 1,543,894</u>	<u>\$ 8,706,566</u>	<u>\$ 10,250,460</u>

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

ADAMS TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended March 31, 2018

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	\$ 158,172	\$ 10,230	\$ 1,600	\$ -	\$ (146,342)	\$ -	\$ (146,342)
Public safety	28,823	-	-	-	(28,823)	-	(28,823)
Public works	45,660	-	-	-	(45,660)	-	(45,660)
Recreation	1,102	-	-	-	(1,102)	-	(1,102)
Other	37,169	-	-	-	(37,169)	-	(37,169)
Total governmental activities	<u>270,926</u>	<u>10,230</u>	<u>1,600</u>	<u>-</u>	<u>(259,096)</u>	<u>-</u>	<u>(259,096)</u>
Business-type activities:							
Water	364,735	531,427	-	-	-	166,692	166,692
Sewer	502,641	268,085	-	-	-	(234,556)	(234,556)
Total business-type activities	<u>867,376</u>	<u>799,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,864)</u>	<u>(67,864)</u>
Total primary government	<u>\$ 1,138,302</u>	<u>\$ 809,742</u>	<u>\$ 1,600</u>	<u>\$ -</u>	<u>(259,096)</u>	<u>(67,864)</u>	<u>(326,960)</u>
General revenues:							
Taxes, levied for general operations					147,052	-	147,052
State shared revenue					150,131	-	150,131
Interest and investment earnings					2,087	1,814	3,901
Gain on sale of assets					-	1,682	1,682
Other revenues					<u>24,297</u>	<u>315</u>	<u>24,612</u>
Total general revenues, transfers, and special items					<u>323,567</u>	<u>3,811</u>	<u>327,378</u>
Change in net position					64,471	(64,053)	418
Net position - Beginning of year (Restated)					<u>1,479,423</u>	<u>8,770,619</u>	<u>10,250,042</u>
Net position - End of year					<u>\$ 1,543,894</u>	<u>\$ 8,706,566</u>	<u>\$ 10,250,460</u>

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

ADAMS TOWNSHIP
GOVERNMENTAL FUNDS
BALANCE SHEET
March 31, 2018

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 897,928	\$ 132,211	\$ 1,030,139
Receivables	6,195	1,038	7,233
Special assessment receivable	-	6,260	6,260
Due from other funds	-	-	-
Due from fiduciary funds	2,741	-	2,741
Total assets	<u>\$ 906,864</u>	<u>\$ 139,509</u>	<u>\$ 1,046,373</u>
Liabilities			
Accrued expenses	\$ 5,397	\$ -	\$ 5,397
Due to other funds	1,682	-	1,682
Total liabilities	<u>7,079</u>	<u>-</u>	<u>7,079</u>
Fund balances			
Restricted			
Fire Protection	-	117,230	117,230
Cemetery	-	22,279	22,279
Unassigned	899,785	-	899,785
Total fund balances	<u>899,785</u>	<u>139,509</u>	<u>1,039,294</u>
Total liabilities and fund balances	<u>\$ 906,864</u>	<u>\$ 139,509</u>	<u>\$ 1,046,373</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, 2018

Fund Balance Reported in Governmental Funds	\$ 1,039,294
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	506,449
Long-term liabilities, including accrued sick payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,849)</u>
Net position of governmental activities	<u><u>\$ 1,543,894</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, 2018

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Revenues			
Taxes	\$ 88,165	\$ 58,887	\$ 147,052
State shared revenue	150,131	-	150,131
Other state revenue	3,130	-	3,130
Charges for services	10,230	-	10,230
Interest	2,087	-	2,087
Rentals	3,060	-	3,060
Contributions	1,600	-	1,600
Other revenues	18,107	-	18,107
Total revenues	<u>276,510</u>	<u>58,887</u>	<u>335,397</u>
Expenditures			
General government	137,374	-	137,374
Public safety	-	37,207	37,207
Public works	33,277	12,383	45,660
Parks	1,102	-	1,102
Other activities	31,250	-	31,250
Total expenditures	<u>203,003</u>	<u>49,590</u>	<u>252,593</u>
Excess (deficiency) of revenues over expenditures	<u>73,507</u>	<u>9,297</u>	<u>82,804</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>81,007</u>	<u>1,797</u>	<u>82,804</u>
Fund balances - Beginning of year	818,778	137,712	956,490
Fund balances - End of year	<u><u>\$ 899,785</u></u>	<u><u>\$ 139,509</u></u>	<u><u>\$ 1,039,294</u></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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 82,804
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	(18,314)
Accrued sick pay recorded in the statement of activities is not recorded ad expenditures in the governmental funds until they are incurred.	<u>(19)</u>
Change in net position of governmental activities	<u><u>\$ 64,471</u></u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
March 31, 2018

	<u>Business-Type Activities</u>		
	<u>Major Funds</u>		
	<u>Sewer Systems</u>	<u>Water Systems</u>	<u>Total</u>
Assets			
Cash	\$ 531,664	\$ 874,389	\$ 1,406,053
Accounts receivable	40,444	43,414	83,858
Due from other funds	-	1,682	1,682
Restricted cash	253,568	39,529	293,097
Capital assets - net	8,445,222	1,968,088	10,413,310
Total assets	<u>9,270,898</u>	<u>2,927,102</u>	<u>12,198,000</u>
Liabilities			
Accounts payable	-	17,412	17,412
Accrued expenses	282	2,740	3,022
Current maturities	53,000	82,000	135,000
Bonds payable, due in more than one year	1,876,000	1,460,000	3,336,000
Total liabilities	<u>1,929,282</u>	<u>1,562,152</u>	<u>3,491,434</u>
Net Position			
Reserved	253,568	39,529	293,097
Unreserved	7,088,048	1,325,421	8,413,469
Total net position	<u>\$ 7,341,616</u>	<u>\$ 1,364,950</u>	<u>\$ 8,706,566</u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
Year ended March 31, 2018

	Business-Type Activities		
	Major Funds		
	Sewer Systems	Water Systems	Total
Operating revenues			
Charges for services	\$ 268,085	\$ 531,427	\$ 799,512
Other revenues	-	315	315
Total operating revenues	<u>268,085</u>	<u>531,742</u>	<u>799,827</u>
Operating expenses			
Salaries, wages, and fringe benefits	22,955	108,071	131,026
Supplies, materials, and other	10,283	36,010	46,293
Repair and maintenance	7,875	23,301	31,176
Contract labor	-	18,372	18,372
Insurance	1,343	13,597	14,940
Utilities	25,637	56,948	82,585
Travel	41	-	41
Other services and support	1,890	4,603	6,493
Capital outlay	6,091	4,172	10,263
Depreciation	351,588	69,240	420,828
Total operating expenses	<u>427,703</u>	<u>334,314</u>	<u>762,017</u>
Operating income (loss)	<u>(159,618)</u>	<u>197,428</u>	<u>37,810</u>
Non-operating revenues (expenses)			
Interest income	245	1,569	1,814
Gain on sale of assets income	-	1,682	1,682
Interest expense	(74,938)	(30,421)	(105,359)
Total non-operating revenues (expenses)	<u>(74,693)</u>	<u>(27,170)</u>	<u>(101,863)</u>
Net income (loss)	(234,311)	170,258	(64,053)
Net position, beginning of year (Restated)	<u>7,575,927</u>	<u>1,194,692</u>	<u>8,770,619</u>
Net position, end of year	<u>\$ 7,341,616</u>	<u>\$ 1,364,950</u>	<u>\$ 8,706,566</u>

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

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended March 31, 2018

	<u>Sewer System</u>	<u>Water System</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 281,671	\$ 534,201	\$ 815,872
Payments to suppliers	(53,160)	(148,398)	(201,558)
Internal activity - receipts (payments) to other funds	-	315	315
Payments to employees	(22,956)	(107,400)	(130,356)
Net cash provided by operating activities	<u>205,555</u>	<u>278,718</u>	<u>484,273</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(819,055)	(819,055)
Bond proceeds	-	822,000	822,000
Principal paid on capital debt	(52,000)	(50,000)	(102,000)
Interest paid on capital debt	(74,938)	(30,421)	(105,359)
Net cash (used) by capital and related financing activities	<u>(126,938)</u>	<u>(77,476)</u>	<u>(204,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	245	1,569	1,814
Net cash provided by investing activities	<u>245</u>	<u>1,569</u>	<u>1,814</u>
Net (decrease) in cash	78,862	202,811	281,673
Balances - beginning of the year	<u>706,370</u>	<u>711,107</u>	<u>1,417,477</u>
Balances - end of the year	<u>\$ 785,232</u>	<u>\$ 913,918</u>	<u>\$ 1,699,150</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (159,618)	\$ 197,428	37,810
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	351,588	69,240	420,828
Change in assets and liabilities			
Receivables, net	13,586	2,774	16,360
Accounts and other payables	-	8,605	8,605
Accrued expenses	(1)	671	670
Net cash provided by operating activities	<u>\$ 205,555</u>	<u>\$ 278,718</u>	<u>\$ 484,273</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, 2018

	Tax Collection Fund
Assets	
Cash and equivalents	\$ 39,119
Liabilities	
Due to general fund	\$ 2,741
Due to other governmental units	36,378
Total liabilities	\$ 39,119

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

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

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, 2018

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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For the year ended March 31, 2018, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Purpose</u>	<u>Mills</u>
Township Operating	Operating	1.2873
Cemetery Extra Voted	Operating	0.2922

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.

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 28. 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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

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, 2018

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	\$ 1,030,139	\$ 1,406,053	\$ 2,436,192	\$ -
Restricted cash	-	293,097	293,097	39,119
Total cash	<u>\$ 1,030,139</u>	<u>\$ 1,699,150</u>	<u>\$ 2,729,289</u>	<u>39,119</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, 2018, \$1,759,254 of the Township's bank balance of \$2,770,505 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, 2018 is as follows:

Enterprise Funds	
Sewer Fund - Bond requirements	\$ 253,568
Water Fund - Bond requirements	39,529
Fiduciary Fund - Tax Collection	<u>39,119</u>
Total	<u>\$ 332,216</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

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, 2018 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>
Wholesale Water	<u>\$ 1,682</u>	General	<u>\$ 1,682</u>	<u>\$ -</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, 2018 are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Fire</u>	<u>Cemetery</u>	<u>Enterprise</u>	<u>Total</u>
Accounts	\$ -	\$ -	\$ -	\$ 83,858	\$ 83,858
Taxes	6,195	-	1,038	-	7,233
Special Assessment	-	6,260	-	-	6,260
Total receivables	<u>\$ 6,195</u>	<u>\$ 6,260</u>	<u>\$ 1,038</u>	<u>\$ 83,858</u>	<u>\$ 97,351</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE F - CAPITAL ASSETS

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

	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
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	183,798	-	-	183,798
Infrastructure	87,856	-	-	87,856
Office equipment	36,000	-	-	36,000
Vehicles	262,161	25,000	-	287,161
Subtotal	<u>2,019,780</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>2,044,780</u>
Accumulated depreciation				
Buildings and additions	1,184,435	\$ 19,082	\$ -	1,203,517
Equipment and machinery	163,589	6,039	-	169,628
Infrastructure	66,263	4,393	-	70,656
Office equipment	36,000	-	-	36,000
Vehicles	213,509	13,800	-	227,309
Subtotal	<u>1,663,796</u>	<u>\$ 43,314</u>	<u>\$ -</u>	<u>1,707,110</u>
Net capital assets being depreciated	<u>355,984</u>			<u>337,670</u>
Net capital assets	<u>\$ 524,763</u>			<u>\$ 506,449</u>

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

General Government	\$ 26,698
Fire Protection	<u>16,616</u>
	<u>\$ 43,314</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE F - CAPITAL ASSETS (Continued)

The property, plant, and equipment in Township business-type funds (Water Funds) at March 31, 2018 are summarized as follows:

SEWER FUNDS

<u>Baltic</u>	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
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	361,975	\$ 72,424	\$ -	434,399
Net capital assets being depreciated	2,534,992			2,462,568
Net capital assets	<u>\$ 2,547,162</u>			<u>\$ 2,474,738</u>

<u>Painesdale</u>	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
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	1,288,194	\$ 96,882	\$ -	1,385,076
Net capital assets being depreciated	2,538,124			2,441,242
Net capital assets	<u>\$ 2,606,885</u>			<u>\$ 2,510,003</u>

<u>Trimountain</u>	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
Capital assets, being depreciated				
Utility system	\$ 2,623,529	\$ -	\$ -	\$ 2,623,529
Less accumulated depreciation	623,450	\$ 76,774	\$ -	700,224
Net capital assets being depreciated	<u>\$ 2,072,609</u>			<u>\$ 1,923,305</u>

<u>Atlantic Mine</u>	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
Capital assets, not being depreciated				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital assets, being depreciated				
Utility system	3,714,274	\$ -	\$ -	3,714,274
Less accumulated depreciation	2,073,590	\$ 105,508	\$ -	2,179,098
Net capital assets being depreciated	1,640,684			1,535,176
Net capital assets	<u>\$ 1,642,684</u>			<u>\$ 1,537,176</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE F - CAPITAL ASSETS (Continued)

WATER FUNDS

	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
<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	2,245,432	-	-	2,245,432
Equipment/Vehicles/Machinery	84,982	1,650	15,014	71,618
Subtotal	2,559,247	\$ 1,650	\$ 15,014	2,545,883
Less accumulated depreciation	1,520,133	\$ 59,902	\$ 15,014	1,565,021
Net capital assets being depreciated	1,039,114			980,862
Net capital assets	\$ 1,053,089			\$ 994,837

	Balance April 01, 2017	Additions	Deletions	Balance March 31, 2018
<u>Retail Water</u>				
Capital assets, not being depreciated				
Land	\$ 39,941	\$ -	\$ -	\$ 39,941
Construction in progress	176,532	676,221	-	852,753
	\$ 216,473	\$ 676,221	\$ -	\$ 892,694
Capital assets, being depreciated				
Buildings	42,201	\$ -	\$ -	42,201
Utility system	1,602,914	-	-	1,602,914
Equipment/Vehicles/Machinery	73,916	1,650	-	75,566
Subtotal	1,719,031	\$ 1,650	\$ -	1,720,681
Less accumulated depreciation	1,630,786	\$ 9,338	\$ -	1,640,124
Net capital assets being depreciated	88,245			80,557
Net capital assets	\$ 304,718			\$ 973,251

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS

RETAIL WATER FUND

Bond and Interest Redemption Account - The 2017 Water Supply 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 2017 Water Supply System 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 2017 Water Supply System 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 \$1,870, 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.

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.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS (Continued)

BALTIC SEWER FUND

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

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

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

At March 31, 2018, the Township has established these restricted cash accounts, as required:

	Required	Amount Funded
<u>Retail Water Fund</u>		
Bond & Interest Redemption	\$ 33,800	\$ 33,800
Bond Reserve	5,610	5,610
Repair and Replacement Account	-	100
	<u>\$ 39,410</u>	<u>\$ 39,510</u>
<u>Atlantic Mine Sewer Fund</u>		
Bond & Interest Redemption	\$ 18,150	\$ 23,607
Bond Reserve	38,700	38,700
	<u>\$ 56,850</u>	<u>\$ 62,307</u>
<u>Painesdale Sewer Fund</u>		
Bond and Interest Redemption	\$ 20,699	\$ 30,091
Bond Reserve Account	50,000	50,000
Repair and Replacement Account	23,100	37,400
	<u>\$ 93,799</u>	<u>\$ 117,491</u>
<u>Trimountain Sewer Fund</u>		
Bond and Interest Redemption	\$ 17,897	\$ 17,897
Bond Reserve Account	26,100	29,000
Repair and Replacement Account	33,752	43,497
	<u>\$ 77,749</u>	<u>\$ 90,394</u>
<u>Baltic Sewer Fund</u>		
Bond and Interest Redemption	\$ 12,375	\$ 25,000
Bond Reserve Account	22,100	22,100
Repair and Replacement Account	25,825	25,860
	<u>\$ 60,300</u>	<u>\$ 72,960</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, 2018 and 2017 was \$1,849 and \$1,830, respectively.

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE I - LONG-TERM DEBT

Retail Water Improvement 2017 - Water Supply System revenue bonds were issued in 2017 in the amount of \$1,992,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's water supply system. 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 Water Supply System. The bond bears an interest rate of 2.0% per annum. The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township. At year end the township had drawn down \$822,000 of bond proceeds.

Fiscal Year	August 1		January 1	Total
	Principal	Interest	Interest	
2018-2019	32,000	8,240	19,600	59,840
2019-2020	33,000	19,600	19,270	71,870
2020-2021	33,000	19,270	18,940	71,210
2021-2022	34,000	18,940	18,600	71,540
2022-2023	35,000	18,600	18,250	71,850
2023-2028	186,000	87,610	85,750	359,360
2028-2033	206,000	77,910	30,278	314,188
2033-2038	230,000	67,150	64,850	362,000
2038-2043	255,000	55,150	52,600	362,750
2043-2048	283,000	41,870	39,040	363,910
2048-2053	315,000	27,090	23,940	366,030
2053-2058	350,000	10,670	7,170	367,840
Total	<u>\$ 1,992,000</u>	<u>\$ 452,100</u>	<u>\$ 398,288</u>	<u>\$ 2,842,388</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	
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>\$ 720,000</u>	<u>\$ 99,585</u>	<u>\$ 86,617</u>	<u>\$ 906,202</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE I - LONG-TERM DEBT (Continued)

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	
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>\$ 111,443</u>	<u>\$ 111,443</u>	<u>\$ 365,000</u>	<u>\$ 587,886</u>

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	
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>\$ 227,752</u>	<u>\$ 227,752</u>	<u>\$ 522,000</u>	<u>\$ 977,504</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE I - LONG-TERM DEBT (Continued)

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	
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>\$ 442,000</u>	<u>\$ 194,041</u>	<u>\$ 184,491</u>	<u>\$ 820,532</u>

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	
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>\$ 600,000</u>	<u>\$ 160,231</u>	<u>\$ 160,231</u>	<u>\$ 920,462</u>

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

NOTE I - LONG-TERM DEBT (Continued)

Long term liabilities activity are reported and liquidated through the Atlantic Mine Sewer Fund, Wholesale Water Fund, Painesdale Sewer Fund, Baltic Sewer Fund, Retail Water 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, 2018:

	Balance April 01, 2017	Increase	Decrease	Balance March 31, 2018	Current Portion
Enterprise					
Retail Water Improvements 2017	\$ -	\$ 822,000	\$ -	\$ 822,000	32,000
Wholesale Water 2013	770,000	-	50,000	720,000	50,000
Atlantic Mine Sewer	381,000	-	16,000	365,000	17,000
Painesdale Sewer	539,000	-	17,000	522,000	17,000
Trimountain Sewer	450,000	-	8,000	442,000	8,000
Baltic Sewer	611,000	-	11,000	600,000	11,000
Sub-Total Bonds	2,751,000	822,000	102,000	3,471,000	135,000
Accrued compensated absences	1,830	679	660	1,849	-
Total	\$ 2,752,830	\$ 822,679	\$ 102,660	\$ 3,472,849	\$ 135,000

As of March 31, 2018, the aggregate maturities of enterprise funds long-term for the next eight years and thereafter are as follows:

Fiscal Year	Interest	Principal	Total
2018-2019	\$ 164,266	\$ 135,000	299,266
2019-2020	266,285	354,000	620,285
2020-2021	209,832	412,000	621,832
2021-2022	157,776	180,000	337,776
2022-2023	153,124	100,000	253,124
2023-2028	536,029	548,000	1,084,029
2028-2033	435,103	646,000	1,081,103
2033-2038	315,584	564,000	879,584
2038-2043	184,826	458,000	642,826
2043-2048	120,469	500,000	620,469
2048-2053	55,402	394,000	449,402
2053-2058	17,840	350,000	367,840
Total	\$ 2,616,536	\$ 4,641,000	\$ 7,257,536

ADAMS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS - March 31, 2018

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, 2018 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating revenues	\$ 46,365	\$ 84,667	\$ 61,169
Depreciation	\$ 72,424	\$ 96,882	\$ 76,774
Income (loss) from operations	\$ (39,735)	\$ (27,357)	\$ (31,635)
Non-operating revenues (expenses)	\$ (14,356)	\$ (24,746)	\$ (18,375)
Net income (loss)	\$ (54,091)	\$ (52,103)	\$ (50,010)
Property, plant & equipment additions	\$ -	\$ -	\$ -
Net working capital (deficit)	\$ 45,882	\$ 248,278	\$ 58,022
Total assets	\$ 2,604,658	\$ 2,803,259	\$ 2,079,776
Total equity	\$ 2,004,580	\$ 2,281,188	\$ 1,637,721

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating revenues	\$ 75,884	\$ 301,921	\$ 229,821
Depreciation	\$ 105,508	\$ 59,902	\$ 9,338
Income (loss) from operations	\$ (60,891)	\$ 62,779	\$ 134,649
Non-operating revenues (expenses)	\$ (17,216)	\$ (23,691)	\$ (3,479)
Net income (loss)	\$ (78,107)	\$ 39,088	\$ 131,170
Property, plant & equipment additions	\$ -	\$ -	\$ -
Net working capital (deficit)	\$ 166,644	\$ 583,921	\$ 233,412
Total assets	\$ 1,783,205	\$ 1,630,833	\$ 1,296,269
Total equity	\$ 1,418,127	\$ 908,758	\$ 456,192

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, 2018	\$ 2,613
Employee contributions	\$ 3,679
Active members	6
Total annual payroll for active members	\$ 109,891
Employer contribution as a percentage of payroll	3.35 %
Plan assets at the most recent valuation date March 31, 2018	\$ 83,230

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, 2018.

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 - PRIOR YEAR ADJUSTMENT

A prior period adjustment was made to record an increase in fixed assets (construction in progress) and an increase in beginning net assets for \$29,616 in the Retail Water Fund for legal and engineering fees incurred in prior years in connection with the 2017 Water Improvement Project.

NOTE O - SUBSEQUENT EVENTS

On April 5, 2018 the Township purchased a 2017 Ford F550 Dump Truck in the amount of \$48,727.

REQUIRED SUPPLEMENTARY INFORMATION

**ADAMS TOWNSHIP
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2018**

	Budgeted Amounts			Variance Final
	Original	Final	Actual	to Actual
Revenues				
Taxes	\$ 65,000	\$ 61,000	\$ 56,967	\$ (4,033)
Special assessment	12,000	12,300	12,470	170
Other taxes	1,200	700	641	(59)
State shared revenue	140,000	150,000	150,131	131
Other state revenue	2,500	2,500	3,130	630
Administration and collection fees	10,500	18,100	18,087	(13)
Cemetery fees	8,500	10,600	10,230	(370)
Interest	1,050	1,550	2,087	537
Franchise fees	11,500	11,700	11,645	(55)
Reimbursements	7,000	1,800	1,742	(58)
Contributions	1,000	1,600	1,600	-
Other revenues	1,050	9,100	4,720	(4,380)
Rentals	3,100	2,900	3,060	160
Total revenues	<u>264,400</u>	<u>283,850</u>	<u>276,510</u>	<u>(7,340)</u>
Expenditures				
Township board	5,500	9,200	9,029	171
Supervisor	10,000	10,000	10,000	-
Legal, accounting, and audit	28,000	29,000	28,976	24
Clerk	9,650	9,450	9,362	88
Treasurer	15,100	14,500	14,386	114
Assessor	23,000	22,500	21,442	1,058
Elections	3,650	1,000	882	118
Building and grounds	41,200	38,100	37,378	722
Cemetery	12,500	6,100	5,919	181
Public Works	32,700	34,400	33,277	1,123
Recreation	1,500	1,200	1,102	98
Other activities	41,400	35,300	31,250	4,050
Total expenditures	<u>224,200</u>	<u>210,750</u>	<u>203,003</u>	<u>7,747</u>
Excess (deficiency) of revenues over expenditures	40,200	73,100	73,507	407
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>\$ 40,200</u>	<u>\$ 73,100</u>	81,007	<u>\$ 7,907</u>
Fund balances - Beginning of year			<u>818,778</u>	
Fund balances - End of year			<u>\$ 899,785</u>	

SUPPLEMENTARY INFORMATION

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended March 31, 2018

REVENUES

Taxes	\$ 56,967
Special assessment	12,470
Other taxes	641
State shared revenue	150,131
Other state revenue	3,130
Administration and collection fees	18,087
Cemetery fees	10,230
Interest	2,087
Franchise fees	11,645
Reimbursements	1,742
Contributions	1,600
Miscellaneous	4,720
Rentals	3,060
Total revenues	<u>276,510</u>

EXPENDITURES

Assessor	
Salaries	20,000
Supplies	1,442
Total Assessor	<u>21,442</u>
Supervisor	
Salaries	10,000
Total supervisor	<u>10,000</u>
Clerk	
Salaries	9,000
Supplies	357
Travel	5
Total clerk	<u>9,362</u>
Treasurer	
Salaries	10,710
Supplies	1,744
Printing and publishing	1,837
Travel	95
Total treasurer	<u>14,386</u>

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
For the Year Ended March 31, 2018

Township Board	
Salaries	3,000
Supplies	2,727
Contracted Services	322
Printing and publishing	480
Miscellaneous	2,500
Total township board	<u>9,029</u>
General Administration	
Professional services	23,692
Accounting	5,284
Total general administration	<u>28,976</u>
Cemetery	
Salaries	66
Supplies	2,630
Utilities	285
Capital outlay	138
Contracted services	2,800
Total town hall	<u>5,919</u>
Public Works	
Supplies	2,212
Utilities	29,656
Repairs and maintenance	1,409
Total public works	<u>33,277</u>
Other Activities	
Payroll taxes	6,656
Fringe benefits	5,815
Insurance	15,463
Board of review	986
Miscellaneous	2,330
Total other activities	<u>31,250</u>
Recreation	
Utilities	1,102
Total recreation	<u>1,102</u>

ADAMS TOWNSHIP
GENERAL FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
For the Year Ended March 31, 2018

Elections	
Salaries	14
Supplies	868
Total elections	<u>882</u>
Maintenance building	
Salaries	14,241
Supplies	10,494
Utilities	11,036
Miscellaneous	1,607
Total maintenance building	<u>37,378</u>
Total expenditures	<u>203,003</u>
Excess revenues (expenditures)	73,507
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	81,007
Fund balance (deficit), beginning of year	<u>818,778</u>
Fund balance (deficit), end of year	<u><u>\$ 899,785</u></u>

ADAMS TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
March 31, 2018

	<u>Fire</u>	<u>Cemetery</u>	<u>Total</u>
Assets			
Cash	\$ 110,970	\$ 21,241	\$ 132,211
Taxes receivable	-	1,038	1,038
Special assessment receivable	6,260	-	6,260
Total assets	<u>\$ 117,230</u>	<u>\$ 22,279</u>	<u>\$ 139,509</u>
 Fund balances			
Restricted	<u>\$ 117,230</u>	<u>\$ 22,279</u>	<u>\$ 139,509</u>

ADAMS TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2018

	<u>Fire</u>	<u>Cemetery</u>	<u>Total</u>
Revenues			
Special assessment	\$ 45,407	\$ -	\$ 45,407
Taxes	<u>-</u>	<u>13,480</u>	<u>13,480</u>
Total revenues	<u>45,407</u>	<u>13,480</u>	<u>58,887</u>
Expenditures			
Salaries	-	12,383	12,383
Supplies	2,488	-	2,488
Utilities	5,273	-	5,273
Capital outlay	25,000	-	25,000
Repair/maintenance buildings	<u>4,446</u>	<u>-</u>	<u>4,446</u>
Total expenditures	<u>37,207</u>	<u>12,383</u>	<u>49,590</u>
Excess revenues (expenditures)	8,200	1,097	9,297
Other financing sources (uses)			
Operating transfers in (out)	<u>(7,500)</u>	<u>-</u>	<u>(7,500)</u>
Fund balances - Beginning of year	<u>116,530</u>	<u>21,182</u>	<u>137,712</u>
Fund balances - End of year	<u><u>\$ 117,230</u></u>	<u><u>\$ 22,279</u></u>	<u><u>\$ 139,509</u></u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
March 31, 2018

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
Assets							
Cash	\$ 43,767	\$ 250,888	\$ 60,319	\$ 176,690	\$ 605,504	\$ 268,885	\$ 1,406,053
Accounts receivable	13,193	14,461	5,758	7,032	28,810	14,604	83,858
Due from other funds	-	-	-	-	1,682	-	-
Restricted cash	72,960	27,907	90,394	62,307	-	39,529	293,097
Capital assets - net	<u>2,474,738</u>	<u>2,510,003</u>	<u>1,923,305</u>	<u>1,537,176</u>	<u>994,837</u>	<u>973,251</u>	<u>10,413,310</u>
Total assets	<u>2,604,658</u>	<u>2,803,259</u>	<u>2,079,776</u>	<u>1,783,205</u>	<u>1,630,833</u>	<u>1,296,269</u>	<u>12,196,318</u>
Liabilities							
Accounts payable	-	-	-	-	959	16,453	17,412
Current maturities	11,000	17,000	8,000	17,000	50,000	32,000	135,000
Accrued expenses	78	71	55	78	1,116	1,624	3,022
Bonds payable, due in more than one year	<u>589,000</u>	<u>505,000</u>	<u>434,000</u>	<u>348,000</u>	<u>670,000</u>	<u>790,000</u>	<u>3,336,000</u>
Total liabilities	<u>600,078</u>	<u>522,071</u>	<u>442,055</u>	<u>365,078</u>	<u>722,075</u>	<u>840,077</u>	<u>3,491,434</u>
Net position							
Restricted	72,960	27,907	90,394	62,307	-	39,529	293,097
Unreserved	<u>1,931,620</u>	<u>2,253,281</u>	<u>1,547,327</u>	<u>1,355,820</u>	<u>908,758</u>	<u>416,663</u>	<u>8,413,469</u>
Total net position	<u>\$ 2,004,580</u>	<u>\$ 2,281,188</u>	<u>\$ 1,637,721</u>	<u>\$ 1,418,127</u>	<u>\$ 908,758</u>	<u>\$ 456,192</u>	<u>\$ 8,706,566</u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2018

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	Total
Revenues							
Charges for services	\$ 46,365	\$ 84,667	\$ 61,169	\$ 75,884	\$ 301,606	\$ 229,821	\$ 799,512
Other revenues	-	-	-	-	315	-	315
Total revenues	<u>46,365</u>	<u>84,667</u>	<u>61,169</u>	<u>75,884</u>	<u>301,921</u>	<u>229,821</u>	<u>799,827</u>
Expenditures							
Salaries, wages, and fringe benefits	4,768	6,039	5,402	6,746	65,728	42,343	131,026
Supplies, materials, and other	659	6,007	1,605	2,012	30,173	5,837	46,293
Repair and maintenance	1,667	-	1,726	4,482	13,775	9,526	31,176
Contract labor	-	-	-	-	-	18,372	18,372
Insurance	-	-	-	1,343	6,628	6,969	14,940
Utilities	6,342	1,934	7,097	10,264	56,348	600	82,585
Travel	-	-	-	41	-	-	41
Other services and support	-	-	-	1,890	4,557	46	6,493
Capital outlay	240	1,162	200	4,489	2,031	2,141	10,263
Depreciation	72,424	96,882	76,774	105,508	59,902	9,338	420,828
Total expenditures	<u>86,100</u>	<u>112,024</u>	<u>92,804</u>	<u>136,775</u>	<u>239,142</u>	<u>95,172</u>	<u>762,017</u>
Excess (deficiency) of revenues over expenditures	(39,735)	(27,357)	(31,635)	(60,891)	62,779	134,649	37,810
Non-operating revenues (expenses)							
Interest income	25	15	23	182	1,062	507	1,814
Gain on sale of assets	-	-	-	-	1,682	-	1,682
Interest expense	(14,381)	(24,761)	(18,398)	(17,398)	(26,435)	(3,986)	(105,359)
Total non-operating revenues (expenses)	<u>(14,356)</u>	<u>(24,746)</u>	<u>(18,375)</u>	<u>(17,216)</u>	<u>(23,691)</u>	<u>(3,479)</u>	<u>(101,863)</u>
Net income (loss)	(54,091)	(52,103)	(50,010)	(78,107)	39,088	131,170	(64,053)
Fund balances - Beginning of year (Restated)	<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>325,022</u>	<u>8,770,619</u>
Fund balances - End of year	<u>\$ 2,004,580</u>	<u>\$ 2,281,188</u>	<u>\$ 1,637,721</u>	<u>\$ 1,418,127</u>	<u>\$ 908,758</u>	<u>\$ 456,192</u>	<u>\$ 8,706,566</u>

ADAMS TOWNSHIP
ENTERPRISE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
Year Ended March 31, 2018

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Mine Sewer	Wholesale Water	Retail Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 50,857	\$ 89,114	\$ 62,875	\$ 78,825	\$ 303,041	\$ 231,160	\$ 815,872
Payments to suppliers	(8,908)	(9,103)	(10,628)	(24,521)	(113,305)	(35,093)	(201,558)
Other revenues	-	-	-	-	315	-	315
Payments to employees	(4,786)	(6,097)	(5,347)	(6,726)	(65,600)	(41,800)	(130,356)
Net cash provided by operating activities	<u>37,163</u>	<u>73,914</u>	<u>46,900</u>	<u>47,578</u>	<u>124,451</u>	<u>154,267</u>	<u>484,273</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating subsidies and transfers to other funds	<u>15,801</u>	<u>(15,800)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of capital assets	-	-	-	-	(1,650)	(817,405)	(819,055)
Bond proceeds	-	-	-	-	-	822,000	822,000
Principal paid on capital debt	(11,000)	(17,000)	(8,000)	(16,000)	(50,000)	-	(102,000)
Interest paid on capital debt	(14,381)	(24,761)	(18,398)	(17,398)	(26,435)	(3,986)	(105,359)
Net cash (used) by capital and related financing activities	<u>(25,381)</u>	<u>(41,761)</u>	<u>(26,398)</u>	<u>(33,398)</u>	<u>(78,085)</u>	<u>609</u>	<u>(204,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends	<u>25</u>	<u>15</u>	<u>23</u>	<u>182</u>	<u>1,062</u>	<u>507</u>	<u>1,814</u>
Net (decrease) in cash	<u>27,608</u>	<u>16,368</u>	<u>20,525</u>	<u>14,361</u>	<u>47,428</u>	<u>155,383</u>	<u>281,673</u>
Cash at - beginning of the year	<u>89,119</u>	<u>262,427</u>	<u>130,188</u>	<u>224,636</u>	<u>558,076</u>	<u>153,031</u>	<u>1,417,477</u>
Cash at - end of the year	<u><u>\$ 116,727</u></u>	<u><u>\$ 278,795</u></u>	<u><u>\$ 150,713</u></u>	<u><u>\$ 238,997</u></u>	<u><u>\$ 605,504</u></u>	<u><u>\$ 308,414</u></u>	<u><u>\$ 1,699,150</u></u>
Reconciliation of operating income (loss) to net cash provided (used)							
by operating activities:							
Operating income (loss)	\$ (39,735)	\$ (27,357)	\$ (31,635)	\$ (60,891)	\$ 62,779	\$ 134,649	37,810
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	72,424	96,882	76,774	105,508	59,902	9,338	420,828
Change in assets and liabilities							
Receivables, net	4,492	4,447	1,706	2,941	1,435	1,339	16,360
Accounts and other payables	-	-	-	-	207	8,398	8,605
Accrued expenses	(18)	(58)	55	20	128	543	670
Net cash provided by operating activities	<u><u>\$ 37,163</u></u>	<u><u>\$ 73,914</u></u>	<u><u>\$ 46,900</u></u>	<u><u>\$ 47,578</u></u>	<u><u>\$ 124,451</u></u>	<u><u>\$ 154,267</u></u>	<u><u>\$ 484,273</u></u>

**ADAMS TOWNSHIP
FEDERAL AWARDS PROGRAMS
MARCH 31, 2018**

RUKKILA | NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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

Members of the Township Board
Adams Township
Houghton County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Adams Township as of and for the year then ended March 31, 2018 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

August 20, 2018

RUKKILA I NEGRO AND ASSOCIATES

Certified Public Accountants, PC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Township Board
Adams Township
Houghton County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Adams Township's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Adams Township's major federal programs for the year ended March 31, 2018. The Adams Township's major federal programs are identified in the summary of auditors results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Adams Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Adams Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Adams Township's compliance.

Opinion on Each Major Federal Program

In our opinion, the Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

Report on Internal Control Over Compliance

Management of Adams Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Adams Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

August 20, 2018

ADAMS TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended March 31, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Rural Development - Rural Utilities Service		
2017 Water Improvement Bond	10.760	<u>\$ 838,149</u>

ADAMS TOWNSHIP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended March 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Adams Township and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OVERSIGHT AGENCIES

The U.S. Department of Agriculture is the oversight agencies for the single audit as determined by the agency providing the largest share of the Township's federal financial assistance.

ADAMS TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended March 31, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in with Title 2 CFR Section 200.516(a)?	No
Name of Federal Program	<u>CFDA Number</u>
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS -

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - There were no findings and/or questioned costs identified.

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, 2018. 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 June 26, 2018, 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, 2018. 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 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 August 20, 2018.

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 Adams Township board and management and is not intended to be and should not be used for anyone other than these specified parties.

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

August 20, 2018