

TOWNSHIP OF ONTWA
CASS COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2015

**TOWNSHIP OF ONTWA
Township Board Members
March 31, 2015**

TOWNSHIP BOARD

John Bossler	Supervisor
Teri McNaughton	Clerk
Meryl Christensen	Treasurer
Jerry Duck	Trustee
Leon Gilliam	Trustee
Jerry Marchetti	Trustee
Mike Mroczek	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Township of Ontwa, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Township of Ontwa, Michigan as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

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 3 through 8 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Schaffer & Layher, PLLC
August 13, 2015

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net position decreased 2.6% from a year ago—decreasing from \$11,299,516 (after prior period adjustment) to \$11,003,077. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of \$1,935 during the year, while the business-type activities experienced a decrease in net position of \$298,374.

Overview of the Financial Statements

This report consists of three parts---*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Government-wide Statements, Concluded

The two government-wide statements report the Township's net position and how it has changed. Net position is the difference between the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township are divided into two categories:

- **Governmental activities**—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. public safety monies) or to show that it is properly using certain taxes and grants (i.e. debt service monies).

The Township has the following three kinds of funds:

- **Governmental Funds**—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds**—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds**—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net position was \$11,003,077. In a condensed format the following table below shows a breakdown of net position as of March 31, 2015 and 2014:

At March 31, 2015, unrestricted net position—the part of net position that can be used to finance day to day operations, was \$863,117 for the governmental activities. The current level of unrestricted net position for business – type activities stands at \$1,770,499.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current Assets	\$ 479,690	\$ 598,987	\$ 1,154,074	\$ 1,591,110	\$ 1,633,764	\$ 2,190,097
Noncurrent Assets	1,133,601	1,015,166	11,938,720	12,483,338	13,072,321	13,498,504
Total Assets	\$ 1,613,291	\$ 1,614,153	\$ 13,092,794	\$ 14,074,448	\$ 14,706,085	\$ 15,688,601
Current Liabilities	\$ 51,248	\$ 54,045	\$ 815,104	\$ 912,016	\$ 866,352	\$ 966,061
Noncurrent Liabilities	-	-	2,836,656	3,417,488	2,836,656	3,417,488
Total Liabilities	\$ 51,248	\$ 54,045	\$ 3,651,760	\$ 4,329,504	\$ 3,703,008	\$ 4,383,549
Net Position:						
Net Investment in						
Capital Assets	\$ 647,306	\$ 676,826	\$ 5,371,598	\$ 4,999,615	\$ 6,018,904	\$ 5,676,441
Restricted	51,620	48,826	2,298,937	3,067,765	2,350,557	3,116,591
Unrestricted	863,117	834,456	1,770,499	1,672,028	2,633,616	2,506,484
Total Net Position	\$ 1,562,043	\$ 1,560,108	\$ 9,441,034	\$ 9,739,408	\$ 11,003,077	\$ 11,299,516

Financial Analysis of the Township as a Whole, Concluded

The following table shows the change in net position for the years ended March 31, 2015 and 2014:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services	\$ 68,498	\$ 71,941	\$ 1,068,265	\$ 960,697	\$ 1,136,763	\$ 1,032,638
General Revenues						
Property Taxes	1,145,949	1,062,308	-	-	1,145,949	1,062,308
State Shared Revenues	404,173	393,257	-	-	404,173	393,257
Investment Earnings	3,338	5,415	127,506	133,137	130,844	138,552
Franchise Fees	65,833	63,685	-	-	65,833	63,685
Administration Fees	-	8,878	-	-	-	8,878
Other Revenue	19,793	17,353	-	-	19,793	17,353
Total Revenues	<u>\$ 1,707,584</u>	<u>\$ 1,622,837</u>	<u>\$ 1,195,771</u>	<u>\$ 1,093,834</u>	<u>\$ 2,903,355</u>	<u>\$ 2,716,671</u>
Program Expenses						
General Government	\$ 313,659	\$ 278,647	\$ -	\$ -	\$ 313,659	\$ 278,647
Public Safety	1,169,871	1,121,702	-	-	1,169,871	1,121,702
Public Works	171,136	149,055	-	-	171,136	149,055
Recreation and Culture	2,397	520	-	-	2,397	520
Community and Economic Development	6,163	9,630	-	-	6,163	9,630
Depreciation	42,423	47,341	-	-	42,423	47,341
Sewer	-	-	1,494,145	1,435,727	1,494,145	1,435,727
Total Expenses	<u>\$ 1,705,649</u>	<u>\$ 1,606,895</u>	<u>\$ 1,494,145</u>	<u>\$ 1,435,727</u>	<u>\$ 3,199,794</u>	<u>\$ 3,042,622</u>
Change in Net Position	<u>\$ 1,935</u>	<u>\$ 15,942</u>	<u>\$ (298,374)</u>	<u>\$ (341,893)</u>	<u>\$ (296,439)</u>	<u>\$ (325,951)</u>

Governmental Activities

The Township's total governmental revenues increased by \$84,747 from prior year, or 5.2%. The increase was primarily attributed to an \$83,641 in property tax revenues. This was due to an overall increase in taxable values of properties within the Township as well as an additional .25 mill ambulance service millage approved in 2015. The Township's total governmental expenses increased \$98,754 from prior year, or 6.1%. This was primarily the result of two issues: 1.) there was an increase of \$31,007 of costs associated with the Township's portion of road repair contracts with Cass County; 2.) the Township's contractual payments made to the Ambulance Service increased by \$64,045 from the prior year.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. In 2015, total revenues increased by \$101,937, or 9.3%, primarily as a result of increases to sewer rates billed to customers as well as an increase in surcharges billed to customers (increase of \$33,137) and one-time tap fees (increase of \$8,529). Business-type expenses increased by \$58,418 primarily a result of an increase in chemical treatment expenses totaling \$122,544. This was offset by a decrease in expenses in various other areas including repairs and maintenance totaling \$63,379.

Business-Type Activities, Concluded

Wastewater Plant Project – An Ontwa Township Wastewater Treatment System Improvement Project Preliminary Engineering Report (the “Project”) was prepared by Wightman & Associates, Inc. in April 2013. The Project would result in the construction of a new wastewater treatment plant within the Township at an estimated cost of \$7,500,000, to be funded by forty-year bonds and to be repaid by the Ontwa Township sewer system users. The proposed Project also included terminating the City of Elkhart Wastewater Treatment Plant Contract, which had been amended, with a commitment through 2031.

In November 2014, a recall election replaced four of the seven members of the Township’s Board of Trustees. Prior to the recall election, the Township Board of Trustees and the Cass County Commissioners had requested suspension of any continuing work related to the Project. On November 10, 2014, the current Board of Trustees voted to terminate the proposed construction of the treatment plant in Ontwa Township.

The Project has incurred total costs of \$224,153. The type of cost and fiscal year in which these were incurred is summarized as follows:

<u>Cost Type</u>	<u>Year ending March 31,</u>		<u>Total</u>
	<u>2014</u>	<u>2015</u>	
Study-Engineering Fees	\$ 98,327	\$ 62,347	\$ 160,674
Legal Fees	9,133	49,045	58,178
Other Exepnses	-	5,300	5,300
Total	<u>\$ 107,460</u>	<u>\$ 116,692</u>	<u>\$ 224,152</u>

As of March 31, 2015, \$112,433 of these costs remains unpaid and are included in accounts payable in the Business-Type Activities and Sewer Fund Statements of Net Position. Of the total Project cost, \$116,692 is included in the Government-wide and fund level financial statements for the year ended March 31, 2015, with an additional \$107,460 attributable to the prior-year and included as a prior period adjustment.

The Township is negotiating possible fee reductions with certain service providers for the remaining amount owed. This comes from various understandings of the request for suspension of work activity prior to November 2014. If reduced fees are negotiated, they will be recorded in the fiscal year ending March 31, 2016. The objective of the Township Board of Trustees is to resolve payment of all outstanding bills related to the cancellation of the proposed Project before the conclusion of the year ended March 31, 2016.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2015 included the General Fund, Police Fund, Fire/Ambulance Fund, and Sewer Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, public works and other. The most significant is general government, which incurred expenditures of \$326,562 in 2015. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. There was one budget amendment made during 2015.

Capital Asset and Debt Administration

At the end of March 31, 2015, the Township had investment in capital assets for its governmental and business-type activities of \$9,436,392 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively, in accordance with GASB Statement No. 34.

During fiscal year 2015, the Township had two capital additions totaling \$30,257. One of the purchases was an electronic sign placed in front of the Township Hall at a cost of \$12,903. The other addition consisted of replacement pumps within the Township sewer system at a cost of \$17,354.

Long-Term Debt

The Township continued to make scheduled payments on its outstanding long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates revenues over expenditures in the general fund and the business-type activity funds will attempt to have positive cash flows.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 420,743	\$ 774,659	\$ 1,195,402
Accounts Receivable, Net	58,947	144,786	203,733
Special Assessment Receivables	-	234,629	234,629
Total Current Assets	\$ 479,690	\$ 1,154,074	\$ 1,633,764
Noncurrent Assets			
Restricted Investments	\$ -	\$ 898,651	\$ 898,651
Special Assessment Receivable	-	1,165,657	1,165,657
Certificates of Deposit (Maturity > 1 Year)	329,693	1,085,326	1,415,019
Long-term Receivables	156,602	-	156,602
Capital Assets, Net	647,306	8,789,086	9,436,392
Total Noncurrent Assets	\$ 1,133,601	\$ 11,938,720	\$ 13,072,321
Total Assets	\$ 1,613,291	\$ 13,092,794	\$ 14,706,085
Liabilities			
Current Liabilities			
Accounts Payable	\$ 47,509	\$ 166,812	\$ 214,321
Payroll Liabilities	3,739	-	3,739
Due to Other Governmental Units	-	5,026	5,026
Interest Payable	-	62,434	62,434
Bonds Payable, Current	-	580,832	580,832
Total Current Liabilities	\$ 51,248	\$ 815,104	\$ 866,352
Noncurrent Liabilities			
Bonds Payable, Noncurrent	-	2,836,656	2,836,656
Total Liabilities	\$ 51,248	\$ 3,651,760	\$ 3,703,008
Net Position			
Net Investment in Capital Assets	\$ 647,306	\$ 5,371,598	\$ 6,018,904
Restricted	51,620	2,298,937	2,350,557
Unrestricted	863,117	1,770,499	2,633,616
Total Net Position	\$ 1,562,043	\$ 9,441,034	\$ 11,003,077

The accompanying notes are an integral part of these financial statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants	Capital Grants	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
General Government	\$ 313,659	\$ 68,498	\$ -	\$ -	\$ (245,161)	\$ -	\$ (245,161)
Public Safety	1,169,871	-	-	-	(1,169,871)	-	(1,169,871)
Public Works	171,136	-	-	-	(171,136)	-	(171,136)
Recreation and Culture	2,397	-	-	-	(2,397)	-	(2,397)
Community and Economic Development	6,163	-	-	-	(6,163)	-	(6,163)
Depreciation (Unallocated)	42,423	-	-	-	(42,423)	-	(42,423)
Total Governmental Activities	<u>\$ 1,705,649</u>	<u>\$ 68,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,637,151)</u>	<u>\$ -</u>	<u>\$ (1,637,151)</u>
Business-Type Activities							
Sewer Fund	\$ 1,494,145	\$ 1,068,265	\$ -	\$ -	\$ -	\$ (425,880)	\$ (425,880)
Total Business-Type Activities	<u>\$ 1,494,145</u>	<u>\$ 1,068,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (425,880)</u>	<u>\$ (425,880)</u>
Total Primary Government	<u>\$ 3,199,794</u>	<u>\$ 1,136,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,637,151)</u>	<u>\$ (425,880)</u>	<u>\$ (2,063,031)</u>
General Revenues							
Property Taxes					\$ 1,145,949	\$ -	\$ 1,145,949
State Shared Revenues					404,173	-	404,173
Franchise Fees					65,833	-	65,833
Investment Earnings					3,338	127,506	130,844
Other Revenue					19,793	-	19,793
Total General Revenues					<u>\$ 1,639,086</u>	<u>\$ 127,506</u>	<u>\$ 1,766,592</u>
Change in Net Position					\$ 1,935	\$ (298,374)	\$ (296,439)
Net Position-Beginning, as Previously Reported					1,560,108	9,733,288	11,293,396
Prior Period Adjustment (See Note 11)					-	6,120	6,120
Net Position-Ending					<u>\$ 1,562,043</u>	<u>\$ 9,441,034</u>	<u>\$ 11,003,077</u>

The accompanying notes are an integral part of these financial statements.

March 31, 2015

	General	Police Fund	Fire/Ambulance Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 420,743	\$ -	\$ -	\$ 420,743
Taxes Receivable	11,438	22,304	25,205	58,947
Certificates of Deposit (Maturity > 1 Year)	329,693	-	-	329,693
Total Assets	\$ 761,874	\$ 22,304	\$ 25,205	\$ 809,383
Liabilities				
Accounts Payable	\$ -	\$ 22,304	\$ 25,205	\$ 47,509
Payroll Liabilities	3,739	-	-	3,739
Total Liabilities	\$ 3,739	\$ 22,304	\$ 25,205	\$ 51,248
Fund Balance				
Restricted for Special Assessments	\$ 51,620	\$ -	\$ -	\$ 51,620
Unassigned	706,515	-	-	706,515
Total Fund Balance	\$ 758,135	\$ -	\$ -	\$ 758,135

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2015**

Total Fund Balances - Governmental Funds \$ 758,135

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 647,306

Long-term receivables are not current resources and are not reported in the funds, but are assets in the statement of net position. 156,602

Net Position of Governmental Activities \$ 1,562,043

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2015**

	General Fund	Police Fund	Fire/Ambulance Fund	Total
Revenues				
Tax Revenues	\$ 208,247	\$ 441,108	\$ 496,594	\$ 1,145,949
Intergovernmental Revenue from State	404,173	-	-	404,173
Fines and Forfeits	19,442	-	-	19,442
Licenses and Permits	49,056	-	-	49,056
Franchise Fees	65,833	-	-	65,833
Interest and Rents	3,338	-	-	3,338
Other Revenue	19,793	-	-	19,793
Total Revenues	<u>\$ 769,882</u>	<u>\$ 441,108</u>	<u>\$ 496,594</u>	<u>\$ 1,707,584</u>
Expenditures				
General Government:				
Legislative	\$ 105,695	\$ -	\$ -	\$ 105,695
Chief Executive	66,701	-	-	66,701
Treasurer	23,501	-	-	23,501
Assessing Equalization	41,126	-	-	41,126
Clerk	23,355	-	-	23,355
Elections	10,954	-	-	10,954
Building and Grounds	47,770	-	-	47,770
All Other	7,460	-	-	7,460
Public Safety:				
Police	183,400	441,108	-	624,508
Ambulance/Fire	640	-	496,594	497,234
Building Inspections	48,129	-	-	48,129
Public Works:				
Electric Utilities	9,388	-	-	9,388
Roads	155,771	-	-	155,771
All Other	5,977	-	-	5,977
Recreation and Culture:				
Parks and Recreation	2,397	-	-	2,397
Community and Economic Development:				
Community Planning and Zoning	6,163	-	-	6,163
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 738,427</u>	<u>\$ 441,108</u>	<u>\$ 496,594</u>	<u>\$ 1,676,129</u>
Other Financing Sources (Uses)				
Transfers to Other Governments	<u>\$ (156,602)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (156,602)</u>
Net Change in Fund Balance	\$ (125,147)	\$ -	\$ -	\$ (125,147)
Fund Balance- Beginning of Year	<u>883,282</u>	<u>-</u>	<u>-</u>	<u>\$ 883,282</u>
Fund Balance - End of Year	<u>\$ 758,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,135</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (125,147)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation Expense	(42,423)
Capital Outlay	12,903

Transfers of funds that are long-term loans are recorded as other financing uses in the governmental funds, and are not expenses in the statement of activities.	156,602
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Change in Net Position of Governmental Activities \$ 1,935

PROPRIETARY FUND
STATEMENT OF NET POSITION
March 31, 2015

	Sewer Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 774,659
Trade Receivables, Net	144,786
Special Assessments Receivable	234,629
Total Current Assets	\$ 1,154,074
Noncurrent Assets:	
Certificates of Deposit	\$ 1,085,326
Restricted Investments	898,651
Special Assessments Receivable	1,165,657
Capital Assets, Net	8,789,086
Total Noncurrent Assets	\$ 11,938,720
Total Assets	\$ 13,092,794
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 166,812
Due to Other Governmental Units	5,026
Interest Payable	62,434
Contracts Payable, Current	580,832
Total Current Liabilities	\$ 815,104
Noncurrent Liabilities:	
Contracts Payable, Noncurrent	2,836,656
Total Liabilities	\$ 3,651,760
Net Position	
Net Investment in Capital Assets	\$ 5,371,598
Restricted	2,298,937
Unrestricted	1,770,499
Total Net Position	\$ 9,441,034

The accompanying notes are an integral part of these financial statements.

PROPRIETY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended March 31, 2015

	Sewer Fund
Operating Revenues	
Charges for Services:	
Flat/Metered Fees	\$ 909,576
Debt Service	137,837
Granger, Indiana	15,627
Other	33,780
Reimbursement of Debt Service Fee to Local Governments:	
Village of Edwardsburg	(38,435)
Mason Township	(9,568)
Hook-up Charges and Other	19,448
Total Operating Revenues	\$ 1,068,265
Operating Expenses	
Personal Services	\$ 36,091
Professional Fees	2,522
Wastewater Treatment Plant Costs:	
Sewage Processing	348,781
Surcharges	26,427
Administration and Labor	8,592
Penalties	35,000
Wastewater System Management	125,060
Chemical Treatments	185,927
Lab and Testing Fees	23,081
Office Expenses	13,117
Repairs and Maintenance	141,328
Utilities	31,799
Depreciation	244,675
Waste water treatment plant feasibility costs	116,692
Other	2,313
Total Operating Expenses	\$ 1,341,405
Operating Loss	\$ (273,140)
Other Revenue (Expenses)	
Interest Income:	
Special Assessments	\$ 109,799
Other	17,707
Interest Expense	(152,740)
Total Other Revenue (Expenses)	\$ (25,234)
Change in Net Position	\$ (298,374)
Net Position-Beginning of Year, as Previously Reported	9,733,288
Prior Period Adjustment (See Note 11)	6,120
Net Position-End of Year	\$ 9,441,034

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015

	Sewer Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,068,006
Payments to Vendors and Suppliers	(1,134,559)
Payments to Employees	(36,091)
Net Cash Provided by Operating Activities	\$ (102,644)
Cash Flows From Capital and Related Financing Activities	
Special Assessment Principal Received	\$ 325,397
Special Assessment Interest Received	109,799
Principal Reduction of Long-term Debt	(599,304)
Interest Paid	(162,796)
Net Cash Used in Capital and Related Financing Activities	\$ (326,904)
Cash Flows From Investing Activities	
Interest Received	\$ 17,707
Purchase of Capital Assets	(17,354)
Net Change in Certificates of Deposit	(12,897)
Net Change in Restricted Investments	49,496
Net Cash Provided by Investing Activities	\$ 36,952
Net Decrease in Cash and Cash Equivalents	\$ (392,596)
Cash and Cash Equivalents-Beginning	1,167,255
Cash and Cash Equivalents-Ending	\$ 774,659
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (273,140)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	244,675
<i>Change in Assets and Liabilities:</i>	
Trade Receivables, Net	(259)
Accounts Payable	(69,261)
Due to Other Governmental Units	(4,659)
Net Cash Provided by Operating Activities	\$ (102,644)

The accompanying notes are an integral part of these financial statements.

TRUST AND AGENCY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2015

	Agency Fund (Property Tax Collections)	Trust Fund (Escrow Funds)	Total Trust and Agency Funds
Assets			
Cash	\$ 477	\$ 7,607	\$ 8,084
Total Assets			
Liabilities			
Due to Governmental Units	\$ 477	\$ -	\$ 477
Due to Others	-	7,607	7,607
Total Liabilities	\$ 477	\$ 7,607	\$ 8,084

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Township is governed by an elected seven-member council ("Board"). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2015.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at March 31, 2015.

Jointly Governed Organization—The Township is a sponsoring member of the Township of Ontwa-Edwardsburg Police Department, The Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service. The Township appoints two members to each jointly governed organization's governing board, and the Township provides annual financial support to each entity. The Township does not retain an equity interest in any of the entities and, accordingly, these entities are not considered includable in these financial statements. Financial information of the jointly governed organizations is available from their respective offices in Edwardsburg, Michigan.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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

The Township reports the following major governmental funds:

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

The **Police Fund** accounts for special voted taxes levied to support operating costs of police services.

The **Fire/Ambulance Fund** accounts for special voted taxes levied to support operating costs of fire protection and response and ambulance services.

The Township reports the following major proprietary funds:

The **Sewer Fund** accounts for the operation of the Township's sewage system and treatment plant.

The Township reports the following fiduciary funds:

The Township reports two agency (fiduciary) funds – **Tax Collection Fund**, which accounts for property taxes collected on behalf of other local units of government, and **Escrow Fund**, which accounts for deposits held on behalf of developers and others for zoning or other requests.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual—that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Property Taxes - The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2014 ad valorem tax is levied and collectible on December 1st, 2014 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2014 taxable valuation of the Township totaled approximately \$223.0 million, on which ad valorem taxes are levied which consisted of .74240 mills for the Township's operating purposes, 1.98360 for police, 1.98360 for fire/ambulance services, and .25000 mills for ambulance services. These amounts are recognized in their governmental fund financial statements as taxes receivable—current or as tax revenue.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with GASB Statement No. 34.

Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued**

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Office Equipment	5 to 15 years
Computer Equipment	3 to 7 years
Roads	20 years
Sewer System	50 years

Deferred Outflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e., there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Inflows of Resources—In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenue, and expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued**

Fund Equity—The Township has adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are definitions for the five fund balance classifications:

Non spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. As of March 31, 2015, none of the Township’s fund balance was classified as non-spendable.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers. As of March 31, 2015, \$51,620 of the Township’s fund balance has been restricted for special assessment districts.

Committed fund balance- includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally. As of March 31, 2015, none of the Township’s fund balance was classified as committed.

Assigned fund balance – includes amounts that are constrained by the government’s intent to be used for a specific purpose, but are neither restricted nor committed. As of March 31, 2015, none of the Township’s fund balance has been classified as assigned.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund. As of March 31, 2015, \$706,515 was classified as unassigned.

As the Township has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Concluded**

Net position— Net position represents the difference between the assets and deferred outflows of resources, less liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of deferred outflows of resources related to those assets; (2) Restricted net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws. Restricted net position is reduced by the liabilities and deferred inflows of resources related to the restricted assets; (3) Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

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

Net Position Flow Assumption—Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

The budget document presents information by function. The legal level of budgetary control adopted by the governing board (i.e., the level at which expenditures that may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Township to amend its budgets during the year. There was one amendment to the General Fund budget during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds - During the year, the Township had the following budget variances:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Fund - Public Safety - Police	\$ 434,192	\$ 441,108	\$ (6,916)
Fire/Ambulance Fund - Public Safety - Police	434,192	496,594	(62,402)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits – The Township has no accumulated fund balance/retained earning deficits in their reported funds.

Construction Code Fees – The Township oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Deficit at April 1, 2014	<u>\$ (38,998)</u>
Current year permit revenue	\$ 49,056
Related expenses:	
Direct costs	<u>(48,129)</u>
Current year income	<u>927</u>
Cumulative deficit at March 31, 2015	<u><u>\$ (38,071)</u></u>

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2015, the Township's deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 420,743	\$ 774,659	\$ 1,195,402	\$ 8,084
Certificates of Deposit	329,693	1,085,326	1,415,019	-
Restricted Investments	-	898,651	898,651	-
Total	<u>\$ 750,436</u>	<u>\$ 2,758,636</u>	<u>\$ 3,509,072</u>	<u>\$ 8,084</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts, CD's)	\$ 1,195,402	\$ 8,084
Certificate of Deposits > 1 year	2,313,670	-
	<u>\$ 3,509,072</u>	<u>\$ 8,084</u>

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, 2015, none of the Township's bank balance of \$3,574,381 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC or FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificates of Deposit	<u>\$ 1,415,019</u>	<u>\$ 1,415,019</u>	<u>\$ 1,415,019</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2015, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2015, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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 will do business. As of March 31, 2015, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. RECEIVABLES

Receivables as of year-end for the Township's individual major fund including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Police Fund	Fire/ Ambulance Fund	Sewer Fund	Total
Receivables					
Taxes	\$ 11,438	\$ 22,304	\$ 25,205	\$ -	\$ 58,947
Special Assessments	-	-	-	1,400,286	1,400,286
Trade	-	-	-	144,786	144,786
Total Receivables	<u>\$ 11,438</u>	<u>\$ 22,304</u>	<u>\$ 25,205</u>	<u>\$ 1,545,072</u>	<u>\$ 1,604,019</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property.

Long-term receivables represent a promissory note receivable due from the Edwardsburg Ambulance Service dated October 31, 2014 in the amount of \$156,602, and bearing interest at the rate of 1.2%. The note is to be repaid to the Township in four annual installments of \$39,150 plus interest beginning on April 1, 2015 through April 1, 2018. The purpose of the loan was to enable the Edwardsburg Ambulance Service to purchase a 2012 Chevy Ambulance.

NOTE 5. CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 30,350	\$ -	\$ -	\$ 30,350
Capital assets being depreciated:				
Building	\$ 384,181	\$ -	\$ -	\$ 384,181
Equipment	96,737	12,903	-	109,640
Streets	561,247	-	-	561,247
Total	\$ 1,042,165	\$ 12,903	\$ -	\$ 1,055,068
Accumulated depreciation:				
Building	\$ (134,383)	\$ (9,605)	\$ -	\$ (143,988)
Equipment	(92,841)	(4,756)	-	(97,597)
Streets	(168,465)	(28,062)	-	(196,527)
Total	\$ (395,689)	\$ (42,423)	\$ -	\$ (438,112)
Net capital assets being depreciated	<u>\$ 646,476</u>			<u>\$ 616,956</u>
Net capital assets	<u><u>\$ 676,826</u></u>			<u><u>\$ 647,306</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities - Sewer				
Capital assets being depreciated				
Sewer system	\$ 11,848,718	\$ -	\$ -	\$ 11,848,718
Equipment	38,000	17,354	-	55,354
Total	\$ 11,886,718	\$ 17,354	\$ -	\$ 11,904,072
Accumulated depreciation:				
Sewer system	\$ (2,870,311)	\$ (236,974)	\$ -	\$ (3,107,285)
Equipment	-	(7,701)	-	(7,701)
Total	\$ (2,870,311)	\$ (244,675)	\$ -	\$ (3,114,986)
Net capital assets - Sewer	<u>\$ 9,016,407</u>			<u>\$ 8,789,086</u>

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

Governmental Activities	
Unallocated Depreciation	<u>\$ 42,423</u>
Business-type Activities	
Sewer	<u>\$ 244,675</u>

NOTE 6. LONG TERM DEBT

Long term obligations consist of the following contract payables to Cass County, issued in connection with sewer system improvements and expansion. All debt is secured by the full faith and credit of the Township.

Long-term obligation activity can be summarized as follows:

Fund	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2005 Contract Payable	3.5-4.75%	2019	\$ 3,500,000	\$ -	\$ (540,000)	\$ 2,960,000	\$ 530,000
2012 Contract Payable	2.0-3.15%	2024	516,792	-	(59,304)	457,488	50,832
Total Business-type Activities			<u>\$ 4,016,792</u>	<u>\$ -</u>	<u>\$ (599,304)</u>	<u>\$ 3,417,488</u>	<u>\$ 580,832</u>

	Face Amount
\$1,360,000 Cass County Sewage Disposal Bonds (Painter, Juno, and Christiana Lakes) (Refunding, Series 2012 general obligation limited tax); bearing interest at 2.00% to 3.15%, due in annual installments of \$75,000 to \$140,000, beginning in May 2013, plus interest, through May 2024. **	\$ 457,488
\$6,540,000 Cass County Sewage Disposal Bonds (Refunding general obligation limited tax); bearing interest at 3.50% to 4.75%, due in annual installments of \$485,000 to \$640,000, beginning in May 2008, plus interest, through May 2019.	2,960,000
	<u>\$ 3,417,488</u>

** -- This bond obligation is shown with Ontwa Township responsible for 42.36% and Mason Township responsible for 57.65%.

NOTE 6. LONG TERM DEBT, CONCLUDED

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

	Business-type Activities		
	Principal	Interest	Total
2016	\$ 580,832	\$ 137,407	\$ 718,239
2017	617,950	111,732	729,682
2018	655,832	83,737	739,569
2019	688,714	53,053	741,767
2020	666,596	21,699	688,295
2021-2025	207,564	14,829	222,393
	<u>\$ 3,417,488</u>	<u>\$ 422,457</u>	<u>\$ 3,839,945</u>

Interest expense of \$152,740 was charged to the sewer operations of the Township for the year ended March 31, 2015.

NOTE 7. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; worker's compensation; and natural disaster. The Township participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, error and omissions, physical damage (equipment, building and contents) and work's compensations. Settlement amounts have not exceeded insurance coverage for the past four years.

NOTE 8. OPERATING LEASES

The Township did not have any operating or capital leases during the year.

NOTE 9. WASTEWATER TREATMENT SERVICES WITH CITY OF ELKHART

The Township and the Cass County Board of Public Works ("BPW") are parties with the City of Elkhart ("Elkhart") for sewage and wastewater treatment services. The original agreement was dated March 14, 2000, with amendments on August 15, 2000 and May 16, 2011. The BPW has made fixed capital buy-in payments that entitle the Township and BPW to an average daily flow rate that shall not exceed 515,000 gallons per day or 900 gallons per minute. The also have the option to purchase additional capacity to add an additional 155,000 gallons per day of average flow. The agreement is in place for twenty (20) years from the date of the 2nd amendment. The cost of these services for March 31, 2015 was \$348,781.

NOTE 10. SANITARY SEWAGE DISPOSAL FOR GRANGER SERVICE AREA

Effective January 11, 2011, the Township and the St. Joseph County Regional Water & Sewer District ("District") have entered into an agreement for the transmittal of District sewage through the Township's sewer system to be processed by the Elkhart system. (See Note 9). The District will purchase a capacity of 75,000 gallons per day at a cost of \$3.14/gal for a total cost of \$235,500, with the option of purchasing an additional 60,000 gallons per day at the same multiplier. In addition, the District paid the Township a connection charge of \$219,450 prior to the start of service during fiscal 2014.

The monthly charge for treatment of the sewage will be \$2.94/1,000 gallons, with \$2.40 for the treatment by Elkhart and \$0.54 for transportation in the Township's system.

NOTE 11. PRIOR PERIOD ADJUSTMENT

The beginning of year net position of the Sewer Fund has been adjusted to correct errors related to the understatement of accounts receivable of \$122,656 and an understatement of accounts payable of \$116,536 as of March 31, 2014. The errors had resulted in an overstatement of change in net position of \$91,954 for the year ended March 31, 2014.

NOTE 12. CONTINGENCY

The Township entered into a Consent Agreement with the Elkhart Board of Public Works ("EBPW") in December 2014 to hold approximately \$40,000 of fines in abeyance. The fines were assessed against the Township by EBPW for excess levels of H₂S at the point of entry into the Elkhart system during various times during 2014. The Consent Agreement required certain levels of performance from the Township from January 2015 to at least July 2015. If the Township's wastewater discharge remained at or below the Consent Agreement parameters, the pending fines incurred could be reduced, forgiven, or applied to future system repair needs. It is expected by the Township that a disposition of the \$40,000 in potential fines will occur in fiscal year 2016. As such, no related liability has been accrued as of March 31, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

	Original Budget	Final Budget	Actual	Variance
Revenues				
Tax Revenues	\$ 197,078	\$ 197,078	\$ 208,247	\$ 11,169
Intergovernmental Revenue from State	367,000	367,000	404,173	37,173
Fines and Forfeits	13,000	13,000	19,442	6,442
Licenses and Permits	38,625	38,625	49,056	10,431
Franchise Fees	55,000	55,000	65,833	10,833
Interest and Rents	500	500	3,338	2,838
Other Revenue	13,270	13,270	19,793	6,523
Total Revenues	<u>\$ 684,473</u>	<u>\$ 684,473</u>	<u>\$ 769,882</u>	<u>\$ 85,409</u>
Expenditures				
General Government:				
Legislative	\$ 263,544	\$ 190,334	\$ 105,695	\$ 84,639
Chief Executive	84,700	84,700	66,701	17,999
Treasurer	28,900	28,900	23,501	5,399
Assessing Equalization	38,750	43,250	41,126	2,124
Clerk	28,900	24,900	23,355	1,545
Elections	20,500	15,500	10,954	4,546
Building and Grounds	33,030	55,030	47,770	7,260
All other	5,700	7,700	7,460	240
Public Safety:				
Police	174,520	186,230	183,400	2,830
Ambulance/Fire	600	700	640	60
Building Inspections	53,420	63,020	48,129	14,891
Public Works:				
Electric Utilities	13,440	13,440	9,388	4,052
Roads	150,000	157,000	155,771	1,229
All Other	10,000	10,000	5,977	4,023
Recreation and Culture:				
Parks and Recreation	5,000	5,000	2,397	2,603
Community and Economic Development:				
Community Planning and Zoning	22,750	22,750	6,163	16,587
Other:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>\$ 933,754</u>	<u>\$ 908,454</u>	<u>\$ 738,427</u>	<u>\$ 170,027</u>
Other Financing Sources (Uses)				
Transfers to Other Governments	\$ -	\$ (158,000)	\$ (156,602)	\$ 1,398
Net Change in Fund Balance	\$ (249,281)	\$ (381,981)	\$ (125,147)	\$ 256,834
Fund Balance- Beginning of Year	<u>883,282</u>	<u>883,282</u>	<u>883,282</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 634,001</u>	<u>\$ 501,301</u>	<u>\$ 758,135</u>	<u>\$ 256,834</u>

**BUDGETARY COMPARISON SCHEDULE
POLICE FUND
YEAR ENDED March 31, 2015**

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 434,192	\$ 441,108	\$ 6,916
Total Revenues	\$ 434,192	\$ 441,108	\$ 6,916
Expenditures			
Public Safety	\$ 434,192	\$ 441,108	\$ (6,916)
Total Expenditures	\$ 434,192	\$ 441,108	\$ (6,916)
Excess Revenues Over Expenditures	\$ -	\$ -	\$ -
Fund Balance- Beginning of Year	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -

BUDGETARY COMPARISON SCHEDULE-
FIRE/AMBULANCE FUND
YEAR ENDED March 31, 2015

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 434,192	\$ 496,594	\$ 62,402
Total Revenues	<u>\$ 434,192</u>	<u>\$ 496,594</u>	<u>\$ 62,402</u>
Expenditures			
Public Safety	\$ 434,192	\$ 496,594	\$ (62,402)
Total Expenditures	<u>\$ 434,192</u>	<u>\$ 496,594</u>	<u>\$ (62,402)</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance- Beginning of Year	-	-	-
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>