

TOWNSHIP OF MICHIGAMME, MICHIGAN

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Board of Trustees
of the Township of Michigamme, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township of Michigamme, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan, as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 36-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures 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 our report dated August 14, 2019, on our consideration of the Township of Michigamme, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Michigamme, Michigan's internal control over financial reporting and compliance.

Jason F. Clausen, P.C.

St. Clair Shores, MI

August 14, 2019

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of Michigamme, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2019. Please read it in conjunction with the financial statements, which begin as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net Position for the Township as a whole increased by \$881,002 as a result of this year's operations. Net position of our business-type activities decreased by \$44,462, or approximately 3 percent, and net position of our governmental activities increased by \$925,464, or approximately 17 percent.
- During the year, the Township had expenditures for governmental activities that were \$903,018, which is less than the \$1,828,482 generated in program and general revenue sources.
- During the year, the Township had expenses for business-type activities that were \$140,518, which is greater than the \$95,427 generated in user fees and general revenue sources.
- The General Fund reported a net fund balance of \$1,204,839. The increase in fund balance for the year of 427,966 is \$306,883 more than the forecasted increase of \$121,083.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities as listed in the table of contents 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 start as listed in the table of contents. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township of Michigamme, Michigan as a whole begins on the pages below. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Township's net position and changes in them. You can think of the Township's net position - the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources - as one way to measure the financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether its financial health is improving or deteriorating.

Other non-financial factors, such as changes in the Township's patron base and the condition of the Township's capital assets, need to be considered to assess the overall financial health of the Township.

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

In the Statement of Net Position and the Statement of Activities, we divide the Township into two kinds of activities:

- Governmental Activities — Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- Business-Type Activities — The Township charges a fee to customers to cover all or most of the cost of certain services it provides. The Township's Sewer System activities are reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins as listed in the table of contents. The fund financial statements begin as listed in the table of contents and provide detailed information on the most significant funds — not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - governmental and proprietary - use different accounting approaches.

- Governmental Funds — Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation that follows the fund financial statements.
- Proprietary Funds — When the Township charges customers for the services it provides — whether to outside customers or to other units of the Township — these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary 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.

The Township as Trustee

The Township of Michigamme, Michigan is the trustee, or fiduciary, for assets that — because of a trust arrangement — can be used only for the trust beneficiaries. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

The Township as a Whole

Table 1 provides a summary of the Township's net position as of March 31, 2019 compared to 2018.

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Table 1
Net Position

| | 2019 | | | 2018 | | |
|----------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Current and other assets | \$ 5,207,653 | \$ 198,739 | \$ 5,406,392 | \$ 4,377,515 | \$ 296,723 | \$ 4,557,315 |
| Capital assets, net | <u>1,832,751</u> | <u>1,615,942</u> | <u>3,448,693</u> | <u>1,824,402</u> | <u>1,622,529</u> | <u>3,446,931</u> |
| Total Assets | <u>7,040,404</u> | <u>1,814,681</u> | <u>8,855,085</u> | <u>6,201,917</u> | <u>1,919,252</u> | <u>8,121,169</u> |
| Deferred outflow of resources | — | — | — | — | — | — |
| Current liabilities | 104,322 | 10,367 | 114,689 | 136,299 | 38,260 | 174,559 |
| Non-current liabilities | <u>635,000</u> | <u>440,784</u> | <u>1,075,784</u> | <u>690,000</u> | <u>473,000</u> | <u>1,163,000</u> |
| Total Liabilities | 739,322 | 451,151 | 1,190,473 | 826,299 | 511,260 | 1,375,695 |
| Deferred inflow of resources | — | — | — | — | — | — |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,142,751 | 1,150,934 | 2,293,685 | 1,079,402 | 1,124,529 | 2,203,931 |
| Restricted | 3,965,762 | 54,498 | 4,020,260 | 3,531,613 | 116,923 | 3,648,536 |
| Unrestricted | <u>1,192,569</u> | <u>158,098</u> | <u>1,350,667</u> | <u>764,603</u> | <u>166,540</u> | <u>931,143</u> |
| Total Net Position | \$ 6,301,082 | \$1,363,530 | \$ 7,664,612 | \$ 5,375,618 | \$1,407,992 | \$ 6,783,610 |

Net position of the Township's governmental activities stood at \$6,301,082. Unrestricted net position—the part of net position that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements—stood at \$1,192,569.

The \$1,192,569 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The net position of our business-type activities stood at \$1,363,530. The Township can generally only use this net position to finance continuing operations of the Sewer System.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net position for fiscal year 2019 compared to 2018.

The Township's total revenues were \$1,924,538 and the total cost of all programs and services was \$1,043,536, leaving an increase in net position of \$881,002. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Governmental Activities had net income of \$924,464, which is an increase of \$87,454 over 2018.

Business-type Activities

Business type activities had a net loss of \$44,462, which is an increase of \$32,253 over the loss posted in 2018.

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Table 2
Change in Net Position

| | 2019 | | | 2018 | | |
|--------------------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 162,577 | \$ 95,427 | \$ 258,004 | \$ 139,850 | \$ 91,633 | \$ 231,483 |
| Operating grants and contributions | - | - | - | - | - | - |
| Capital grants and contributions | - | - | - | - | - | - |
| General Revenues: | | | | | | |
| Property taxes | 1,364,601 | - | 1,364,601 | 1,215,949 | - | 1,215,949 |
| State sources | 185,058 | - | 185,058 | 174,508 | - | 174,508 |
| Investment income | 63,161 | 629 | 63,790 | 13,901 | 563 | 14,464 |
| Miscellaneous | 53,085 | - | 53,085 | 36,633 | - | 36,633 |
| Total Revenues | 1,828,482 | 96,056 | 1,924,538 | 1,580,841 | 92,196 | 1,673,037 |
| Program Expenses: | | | | | | |
| Legislative | 128,389 | - | 128,389 | 204,223 | - | 204,223 |
| General government | 141,156 | - | 141,156 | 118,752 | - | 118,752 |
| Public safety | 26,058 | - | 26,058 | 37,685 | - | 37,685 |
| Public works | 409,061 | - | 409,061 | 196,419 | - | 196,419 |
| Health and welfare | 19,274 | - | 19,274 | 22,430 | - | 22,430 |
| Community and economic development | 3,530 | - | 3,530 | 5,221 | - | 5,221 |
| Recreation and culture | 61,052 | - | 61,052 | 53,800 | - | 53,800 |
| Capital outlay | - | - | - | - | - | - |
| Debt service | 24,540 | - | 24,540 | 25,015 | - | 25,015 |
| Unallocated depreciation | 89,958 | - | 89,958 | 79,286 | - | 79,286 |
| Sewer system | - | 140,518 | 140,518 | - | 104,405 | 104,405 |
| Total expenses | 903,018 | 140,518 | 1,043,536 | 742,831 | 104,405 | 847,236 |
| Excess (deficiency) before transfers | 925,464 | (44,462) | 881,002 | 838,010 | (12,209) | 825,801 |
| Transfers | - | - | - | - | - | - |
| Increase (decrease) in net position | 925,464 | (44,462) | 825,801 | 838,010 | (12,209) | 825,801 |
| Net position, beginning | 5,375,618 | 1,407,992 | 6,783,610 | 4,537,608 | 1,420,201 | 5,957,809 |
| Net Position, Ending | \$ 6,301,082 | \$1,363,530 | \$ 7,664,612 | \$ 5,375,618 | \$1,407,992 | \$ 6,783,610 |

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds reported a combined fund balance of \$5,170,601, an increase of \$862,115 from the beginning of the year.

General Fund Budgetary Highlights

The major differences in the budget were due to budgeting payroll taxes verse personnel expense during the year. Employee and Employer payroll taxes were budgeted in other expenditures and actual expenses for gross wages were recorded in the proper departments.

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2019, the Township had \$3,448,693 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below).

Table 3
Capital Assets at Year-End (Net of Accumulated Depreciation)

| | 2019 | | | 2018 | | |
|----------------------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Land | \$ 647,500 | \$ 58,724 | \$ 706,224 | \$ 647,500 | \$ 58,724 | \$ 706,224 |
| Construction in progress | 12,000 | - | 12,000 | 298,680 | - | 298,680 |
| Buildings and improvements | 586,288 | - | 586,288 | 548,089 | - | 548,089 |
| Streetscape | 278,768 | - | 278,768 | | | |
| Equipment and furnishings | 308,195 | - | 308,195 | 330,133 | - | 330,133 |
| Sewer system | - | 1,557,218 | 1,557,218 | - | 1,563,805 | 1,563,805 |
| Total | \$ 1,832,751 | \$ 1,615,942 | \$ 3,448,693 | \$ 1,824,402 | \$ 1,622,529 | \$ 3,446,931 |

The Township recorded depreciation expense of \$89,958 for governmental activities and \$51,660 for business-type activities. More information on capital assets can be found in the notes to the financial statements.

Debt

At year-end, the Township had \$885,000 in bonds and \$270,008 in notes outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

| | 2019 | | | 2018 | | |
|--------------|-------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Governmental Activities | Business-Type Activities | Total Primary Government |
| Bonds | \$ 690,000 | \$ 195,000 | \$ 885,000 | \$ 745,000 | \$ 498,000 | \$ 1,243,000 |
| Notes | - | 270,008 | 270,008 | - | - | - |
| Total | \$ 690,000 | \$ 465,008 | \$ 1,155,008 | \$ 745,000 | \$ 498,000 | \$ 1,243,000 |

During the year the Township recorded principle payments of \$358,000. Of this amount, \$278,000 was the remaining balance of a revenue bond that was paid off by the Sewer Fund. This amount was financed by a loan payable to the General Fund, which had a remaining balance of \$270,008 as of March 31, 2019. More information on debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending March 31, 2020, the Township considered the following issues:

- The fiscal 2020 budget was based on 2019 estimated year-end balances and kept fairly stable for all activity.

TOWNSHIP OF MICHIGAMME, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors 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 financial information, contact the Township of Michigamme, P.O. Box 220, Michigamme, Michigan 49861.

TOWNSHIP OF MICHIGAMME, MICHIGAN
STATEMENT OF NET POSITION
MARCH 31, 2019

| | Primary Government | | |
|---|-------------------------|--------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,326,038 | \$ 133,433 | \$ 1,459,471 |
| Receivables, net | 23,302 | 14,011 | 37,313 |
| Investments | 3,544,419 | - | 3,544,419 |
| Certificates of deposit | 34,381 | - | 34,381 |
| Primary government balances - current | 8,741 | (8,741) | - |
| Prepaid expenses | 16,988 | 5,538 | 22,526 |
| Total Current Assets | <u>4,953,869</u> | <u>144,241</u> | <u>5,098,110</u> |
| Non-current Assets | | | |
| Cash and cash equivalents - restricted | - | 54,498 | 54,498 |
| Primary government balances - long term | 253,784 | (253,784) | - |
| Capital assets | | | |
| Land and construction in progress | 659,500 | 58,724 | 718,224 |
| Capital assets being depreciated, net | 1,173,251 | 1,557,218 | 2,730,469 |
| Total capital assets | <u>1,832,751</u> | <u>1,615,942</u> | <u>3,448,693</u> |
| TOTAL ASSETS | <u>7,040,404</u> | <u>1,560,897</u> | <u>8,601,301</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 20,402 | 161 | 20,563 |
| Accrued liabilities | 16,650 | - | 16,650 |
| Accrued interest | 12,270 | 2,206 | 14,476 |
| Bonds payable - due within one year | 55,000 | 8,000 | 63,000 |
| Total Current Liabilities | <u>104,322</u> | <u>10,367</u> | <u>114,689</u> |
| Non-current liabilities | | | |
| Bonds payable | 635,000 | 187,000 | 822,000 |
| TOTAL LIABILITIES | <u>739,322</u> | <u>197,367</u> | <u>936,689</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,142,751 | 1,150,934 | 2,293,685 |
| Restricted | 3,965,762 | 54,498 | 4,020,260 |
| Unrestricted | <u>1,192,569</u> | <u>158,098</u> | <u>1,350,667</u> |
| TOTAL NET POSITION | <u>\$ 6,301,082</u> | <u>\$ 1,363,530</u> | <u>\$ 7,664,612</u> |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

| Function / Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary Government: | | | | | | | |
| Government Activities: | | | | | | | |
| Legislative | \$ 128,389 | \$ - | \$ - | \$ - | \$ (128,389) | \$ - | \$ (128,389) |
| General government | 141,156 | 10,245 | - | - | (130,911) | - | (130,911) |
| Public safety | 26,058 | 10,475 | - | - | (15,583) | - | (15,583) |
| Public works | 409,061 | 126,967 | - | - | (282,094) | - | (282,094) |
| Health and welfare | 19,274 | 14,890 | - | - | (4,384) | - | (4,384) |
| Community and economic development | 3,530 | - | - | - | (3,530) | - | (3,530) |
| Recreation and culture | 61,052 | - | - | - | (61,052) | - | (61,052) |
| Capital outlay | - | - | - | - | - | - | - |
| Debt service | 24,540 | - | - | - | (24,540) | - | (24,540) |
| Unallocated depreciation | 89,958 | - | - | - | (89,958) | - | (89,958) |
| Total Governmental Activities | 903,018 | 162,577 | - | - | (740,441) | - | (740,441) |
| Business-Type Activities | | | | | | | |
| Sewer system | 140,518 | 95,427 | - | - | - | (45,091) | (45,091) |
| Total Business-Type Activities | 140,518 | 95,427 | - | - | - | (45,091) | (45,091) |
| TOTAL PRIMARY GOVERNMENT | 1,043,536 | 258,004 | - | - | (740,441) | (45,091) | (785,532) |
| General Revenues: | | | | | | | |
| Taxes | | | | | 1,364,601 | - | 1,364,601 |
| Unrestricted state sources | | | | | 185,058 | - | 185,058 |
| Interest and investment earnings | | | | | 63,161 | 629 | 63,790 |
| Miscellaneous | | | | | 53,085 | - | 53,085 |
| Transfers | | | | | - | - | - |
| Other financing sources | | | | | - | - | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 1,665,905 | 629 | 1,666,534 |
| CHANGE IN NET POSITION | | | | | | | |
| Net position, beginning of year | | | | | 925,464 | (44,462) | 881,002 |
| NET POSITION, END OF YEAR | \$ 6,301,082 | \$ 1,363,530 | \$ | \$ | 5,375,618 | 1,407,992 | 6,783,610 |
| | | | | | | | |
| | | | | | | | |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2019

| | General Fund | Road Fund | Fire Fund | Building Fund | Garbage Fund | Non-Major Park Fund | DDA Fund | Total Governmental Funds |
|---|---------------------|-------------------|---------------------|----------------------|---------------------|----------------------------|------------------|---------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 490,839 | \$ 231,732 | \$ 199,133 | \$ 145,588 | \$ 144,082 | \$ 90,604 | \$ 24,060 | \$ 1,326,038 |
| Receivables | 6,381 | - | 3,718 | - | 13,103 | 100 | - | 23,302 |
| Investments | 439,425 | 616,531 | 1,025,158 | 436,886 | 895,247 | 131,172 | - | 3,544,419 |
| Certificates of deposit | 34,381 | - | - | - | - | - | - | 34,381 |
| Due from other governments | - | - | - | - | - | - | - | - |
| Due from other funds | 284,497 | 5,891 | 5,933 | 4,216 | 5,235 | 1,190 | - | 306,962 |
| Prepaid expenses | 4,888 | - | 6,158 | - | 4,353 | 1,589 | - | 16,988 |
| TOTAL ASSETS | 1,260,411 | 854,154 | 1,240,100 | 586,690 | 1,062,020 | 224,655 | 24,060 | 5,252,090 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 1,260,411 | 854,154 | 1,240,100 | 586,690 | 1,062,020 | 224,655 | 24,060 | 5,252,090 |
| LIABILITIES | | | | | | | | |
| Accounts payable | 6,585 | - | 7 | 243 | 13,567 | - | - | 20,402 |
| Accrued payroll and related | 16,650 | - | - | - | - | - | - | 16,650 |
| Due to other funds | 32,337 | - | 6,158 | - | 4,353 | 1,589 | - | 44,437 |
| Advance from other funds | - | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | 55,572 | - | 6,165 | 243 | 17,920 | 1,589 | - | 81,489 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - | - | - | - | - |
| FUND BALANCE | | | | | | | | |
| Non-spendable | 4,888 | - | 6,158 | - | 4,353 | 1,589 | - | 16,988 |
| Restricted | - | 854,154 | 1,227,777 | 586,447 | 1,039,747 | 221,477 | 24,060 | 3,953,662 |
| Committed | - | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | 1,199,951 | - | - | - | - | - | - | 1,199,951 |
| TOTAL FUND BALANCE | 1,204,839 | 854,154 | 1,233,935 | 586,447 | 1,044,100 | 223,066 | 24,060 | 5,170,601 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 1,260,411 | \$ 854,154 | \$ 1,240,100 | \$ 586,690 | \$ 1,062,020 | \$ 224,655 | \$ 24,060 | \$ 5,252,090 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019

Total Fund Balances for Governmental Funds \$ 5,170,601

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.

| | | |
|--|------------------------------------|--------------------|
| | Cost of Capital Assets | 3,895,250 |
| | Accumulated Depreciation of Assets | <u>(2,062,499)</u> |

1,832,751

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|--|----------------------------------|----------------|
| | Accrued Interest | 12,270 |
| | Current portion of bonds payable | 55,000 |
| | Bonds payable | <u>635,000</u> |

(702,270)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,301,082

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2019

| | General Fund | Road Fund | Fire Fund | Building Fund | Garbage Fund | Non-Major Park Fund | DDA Fund | Total Governmental Funds |
|---|---------------------|-------------------|---------------------|----------------------|---------------------|----------------------------|------------------|---------------------------------|
| REVENUES: | | | | | | | | |
| Taxes | \$ 367,319 | \$ 258,361 | \$ 259,674 | \$ 184,674 | \$ 230,242 | \$ 52,327 | \$ 12,004 | \$ 1,364,601 |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Federal sources | - | - | - | - | - | - | - | - |
| State sources | 66,065 | 33,740 | 30,554 | 21,701 | 26,887 | 6,111 | - | 185,058 |
| Local sources | - | - | - | - | - | - | - | - |
| Charges for services | 10,245 | - | 25,365 | - | 126,967 | - | - | 162,577 |
| Fines and forfeits | - | - | - | - | - | - | - | - |
| Interest and rents | 2,899 | - | 133 | 380 | 60 | 103 | 11 | 3,586 |
| Other revenue | 44,955 | 301 | 25 | - | 5,989 | 530 | 1,285 | 53,085 |
| TOTAL REVENUES | 491,483 | 292,402 | 315,751 | 206,755 | 390,145 | 59,071 | 13,300 | 1,768,907 |
| EXPENDITURES: | | | | | | | | |
| Legislative | 128,389 | - | - | - | - | - | - | 128,389 |
| General government | 89,294 | - | - | 51,862 | - | - | - | 141,156 |
| Public safety | - | - | 26,058 | - | - | - | - | 26,058 |
| Public works | 48,680 | 188,460 | - | - | 171,921 | - | - | 409,061 |
| Health and welfare | - | - | 19,274 | - | - | - | - | 19,274 |
| Community and economic development | 1,868 | - | - | - | - | - | 1,662 | 3,530 |
| Recreation and culture | 38,550 | - | - | - | - | 22,502 | - | 61,052 |
| Capital outlay | 9,685 | - | 10,322 | 78,300 | - | - | - | 98,307 |
| Debt service | - | 79,540 | - | - | - | - | - | 79,540 |
| TOTAL EXPENDITURES | 316,466 | 268,000 | 55,654 | 130,162 | 171,921 | 22,502 | 1,662 | 966,367 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 175,017 | 24,402 | 260,097 | 76,593 | 218,224 | 36,569 | 11,638 | 802,540 |
| INVESTMENT INCOME (LOSS): | | | | | | | | |
| Interest, dividends, and fees | 6,253 | 8,799 | 17,096 | 6,180 | 14,824 | 2,105 | - | 55,257 |
| Change in market value | 1,696 | (300) | 1,514 | (110) | 1,358 | 160 | - | 4,318 |
| TOTAL INVESTMENT INCOME (LOSS) | 7,949 | 8,499 | 18,610 | 6,070 | 16,182 | 2,265 | - | 59,575 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | |
| Transfers in | 245,000 | - | - | - | - | - | - | 245,000 |
| Transfers (out) | - | - | (145,000) | - | (90,000) | (10,000) | - | (245,000) |
| Other financing sources | - | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 245,000 | - | (145,000) | - | (90,000) | (10,000) | - | - |
| CHANGE IN FUND BALANCE | 427,966 | 32,901 | 133,707 | 82,663 | 144,406 | 28,834 | 11,638 | 862,115 |
| Fund balance, beginning of year | 776,873 | 821,253 | 1,100,228 | 503,784 | 899,694 | 194,232 | 12,422 | 4,308,486 |
| FUND BALANCE, END OF YEAR | \$ 1,204,839 | \$ 854,154 | \$ 1,233,935 | \$ 586,447 | \$ 1,044,100 | \$ 223,066 | \$ 24,060 | \$ 5,170,601 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 862,115

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|-----------------|-------|
| Capital outlays | 98,307 | |
| Depreciation expense | <u>(89,958)</u> | 8,349 |

Repayment of bond principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net position.

| | |
|--|---------------|
| | <u>55,000</u> |
|--|---------------|

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 925,464

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
PROPRIETARY FUNDS
SEWER FUND
STATEMENT OF NET POSITION
MARCH 31, 2019

ASSETS

| | |
|--|------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 133,433 |
| Accounts receivable, net | 14,011 |
| Due from other funds | 9,872 |
| Prepaid expenses | 5,538 |
| Total Current Assets | <u>162,854</u> |
| Non-current Assets: | |
| Cash and cash equivalents - restricted | 54,498 |
| Capital Assets: | |
| Land | 58,724 |
| Capital assets being depreciated, net | 1,557,218 |
| Total Capital Assets | <u>1,615,942</u> |
| | |
| TOTAL ASSETS | <u>1,833,294</u> |

DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES

| | |
|--|----------------|
| Current Liabilities: | |
| Accounts payable | 161 |
| Note payable, General Fund - current portion | 16,224 |
| Due to other funds | 2,389 |
| Accrued interest payable | 2,206 |
| Bonds payable - due within one year | 8,000 |
| Total Current Liabilities | <u>28,980</u> |
| Non-current Liabilities: | |
| Note payable, General Fund - long-term portion | 253,784 |
| Bonds payable - long term | <u>187,000</u> |
| | |
| TOTAL LIABILITIES | <u>469,764</u> |

DEFERRED INFLOWS OF RESOURCES

NET POSITION

| | |
|-----------------------------------|---------------------|
| Net investments in capital assets | 1,150,934 |
| Restricted - debt service | 54,498 |
| Unrestricted | 158,098 |
| | |
| TOTAL NET POSITION | <u>\$ 1,363,530</u> |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
PROPRIETARY FUNDS
SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2019

OPERATING REVENUES:

| | |
|----------------------------|-----------|
| Charges for services (net) | \$ 95,427 |
|----------------------------|-----------|

| | |
|---------------------------------|--------|
| TOTAL OPERATING REVENUES | 95,427 |
|---------------------------------|--------|

OPERATING EXPENSES:

| | |
|----------------------------|--------|
| Personnel services | 13,364 |
| Supplies | 1,083 |
| Other services and charges | 62,817 |
| Depreciation | 51,660 |

| | |
|---------------------------------|---------|
| TOTAL OPERATING EXPENSES | 128,924 |
|---------------------------------|---------|

| | |
|--------------------------------|----------|
| OPERATING INCOME (LOSS) | (33,497) |
|--------------------------------|----------|

NON-OPERATING REVENUES (EXPENSES):

| | |
|------------------|----------|
| Interest income | 629 |
| Interest expense | (11,594) |

| | |
|--|----------|
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (10,965) |
|--|----------|

| | |
|---------------------------------------|----------|
| INCOME (LOSS) BEFORE TRANSFERS | (44,462) |
|---------------------------------------|----------|

| | |
|-----------------|---|
| Transfers in | - |
| Transfers (out) | - |

| | |
|-------------------------------|----------|
| CHANGE IN NET POSITION | (44,462) |
|-------------------------------|----------|

| | |
|---------------------------------|-----------|
| Net position, beginning of year | 1,407,992 |
|---------------------------------|-----------|

| | |
|--------------------------------|--------------|
| NET ASSETS, END OF YEAR | \$ 1,363,530 |
|--------------------------------|--------------|

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
PROPRIETARY FUNDS
SEWER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------------|
| Cash received from fees and charges for services | \$ 99,814 |
| Cash payments to employees for services | (14,519) |
| Cash payments to suppliers for goods and services | (68,485) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>16,810</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | |
|--|-------------------------|
| Increase (decrease) in interfund activity | - |
| Cash payments for capital assets | (45,073) |
| Interest payments | (22,312) |
| Proceeds from note payable to General Fund | 278,000 |
| Principal payments on note payable to General Fund | (7,992) |
| Principal payments on bonds | (303,000) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(100,377)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|------------------------|
| Interest income | 629 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>629</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(82,938)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>270,869</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>187,931</u> |

RECONCILIATION TO STATEMENT OF NET POSITION:

| | |
|--|-----------------------|
| Cash and cash equivalents | 133,433 |
| Cash and cash equivalents - restricted | 54,498 |
| TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION | <u>187,931</u> |

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

| | |
|--|-------------------------|
| Operating income (loss) | (33,497) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation | 51,660 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | 14,259 |
| Decrease in accounts payable | (175) |
| Net Increase in inter-fund payable | (15,437) |
| NET ADJUSTMENTS | <u>50,307</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 16,810</u> |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

Reporting Entity

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

Basic Financial Statements – Government-Wide Financial Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Sewer System is classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net position is reported in three parts — invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities. For the most part, the effect of inter-fund activities has been removed from these statements.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Township uses the following fund types:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

General Fund — General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue — Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- 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 cost (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 that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with ongoing operations. The principal operating revenue of the Sewer Fund is charges for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflow of resources, liabilities/deferred inflow of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

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 Road Fund is used to account for the financial resources to be used for the expenditures related to road improvements.
- The Fire Fund is used to account for the operations of the fire and EMS departments.
- The Building Fund is used to account for the maintenance and construction of the town hall.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Garbage Fund is used to account for the refuse collection system.

The Township reports the following major proprietary fund:

- The Sewer Fund is used to account for the revenues and expenses for the operation of a sewer system.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Financial Statement Amounts

Budgets and Budgetary Accounting — The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to March 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Michigamme Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.

- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 2. The following considerations must be reviewed in determination of transfer approvals:
 - a) Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b) Will the transfer maintain the financial integrity of the Township?
 - c) Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments

For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| | |
|---------------------------------------|-------------|
| Land improvements | 15 years |
| Building, structures and improvements | 10-40 years |
| Equipment | 5 years |
| Sewage System | 20-50 years |
| Vehicles | 5 years |
| Infrastructure | 20-50 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

Long-Term Liabilities

In the government-wide financial statements and 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 and business-type activities or proprietary fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government does not have any items that qualify for reporting in this category.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Inter-fund Activity

Inter-fund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to move unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Subsequent Events

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Position:

| | Primary Government | Fiduciary Funds | Total |
|---------------------------|-----------------------|--------------------|--------------|
| Unrestricted: | | | |
| Cash and cash equivalents | \$ 1,459,471 | \$ - | \$ 1,459,471 |
| Restricted: | | | |
| Cash and cash equivalents | 54,498 | - | 54,498 |
| Total | \$ 1,513,969 | \$ - | \$ 1,513,969 |

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require, and the Township does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government and fiduciary fund's deposits with financial institutions were \$1,548,350 and the bank balances totaled \$1,548,552. The bank balances are categorized as follows:

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

| | |
|--|----------------------------|
| Amounts insured by the FDIC or uncollateralized with securities held by the Township in its name: | \$ 1,192,026 |
| Amount collateralized with securities held by the pledging financial institutions trust department in the Township's name: | - |
| Uncollateralized and uninsured | <u>356,526</u> |
| | <u><u>\$ 1,548,552</u></u> |

Investments

Financial Accounting Services Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The standard describes three levels of inputs that may be used to measure fair value:

Basis of Fair Value Measurement

Level 1:

Valuations based on quoted prices in active markets for identical assets or liabilities that the Township has the ability to access.

Level 2:

Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3:

Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents financial assets measured at fair value on a recurring basis as of March 31, 2019:

| <u>March 31, 2019</u> | Fair Value | In Active Markets for Identical Assets <u>(Level 1)</u> | Significant Other Observable Inputs <u>(Level 2)</u> | Significant Unobservable Inputs <u>(Levels 3)</u> |
|-------------------------|----------------------------|--|---|--|
| | | | | |
| Cash | \$ 1,430 | \$ 1,430 | \$ - | \$ - |
| Certificates of deposit | 448,257 | 448,257 | - | - |
| US Treasury Notes | 761,363 | 761,363 | - | - |
| Bonds | <u>2,333,369</u> | <u>2,333,369</u> | - | - |
| Total | <u><u>\$ 3,544,419</u></u> | <u><u>\$ 3,544,419</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

Investment gains for the year ended March 31, 2019, reported as a net of realized gains and losses, dividends and interest, brokerage fees of \$2,956, and unrealized market fluctuations totaled \$59,575.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Township's investments. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Township has no investment policy that would further limit its investment choices. The Township's investments are in accordance with statutory authority.

The Township's investment account had the following credit risk structure as of March 31, 2019:

| <u>Investment Type</u> | <u>Moody's Credit Rating</u> | <u>Fair Value</u> | <u>Percent of Grand Total</u> |
|---|------------------------------|---------------------|-------------------------------|
| Cash and Equivalents: | | | |
| Huntington Deposit Account | | \$ 1,430 | 0.0% |
| | | <u>1,430</u> | <u>0.0%</u> |
| United States Department of Treasury | | | |
| U.S. Treasury Notes | | 761,363 | 21.5% |
| | | <u>761,363</u> | <u>21.5%</u> |
| Federal Agency: | | | |
| Federal Home Loan Mort. Corp. | Aaa | 409,785 | 11.6% |
| | | <u>409,785</u> | <u>11.6%</u> |
| Municipal: | | | |
| Chippewa Valley MI Schs. | Aa3 | 199,464 | 5.6% |
| Clintondale Mich. Cmnty. Schs. | Withdrawn | 298,602 | 8.4% |
| | | <u>498,066</u> | <u>14.0%</u> |
| Other Bonds: | | | |
| Federal Farm Credit Bank | Aaa | 197,002 | 5.6% |
| Private Export Funding Corporation | Aaa | 1,228,516 | 34.7% |
| | | <u>1,425,518</u> | <u>40.3%</u> |
| Certificates of Deposit | | | |
| Ally Bank Medium Term CD | | 204,165 | 5.7% |
| Wells Fargo Bank NA Medium Term CD | | 244,092 | 6.9% |
| | | <u>448,257</u> | <u>12.6%</u> |
| Grand Total | | \$ 3,544,419 | 100.0% |

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 3 - ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

Receivables as of yearend for the government's individual major funds and aggregate non-major, enterprise funds, and fiduciary funds, including applicable allowances for uncollectible accounts, are as follows:

| Type | Governmental Activities | | | | | | | Business-Type Activities | |
|-------|-------------------------|-----------|-----------|---------------|--------------|-----------|----------|--------------------------|-----------|
| | General Fund | Road Fund | Fire Fund | Building Fund | Garbage Fund | Park Fund | DDA Fund | Sewer Fund | Total |
| A | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| B | 6,381 | - | 3,718 | - | 13,103 | 100 | - | 14,011 | 37,313 |
| C | - | - | - | - | - | - | - | - | - |
| D | - | - | - | - | - | - | - | - | - |
| E | - | - | - | - | - | - | - | - | - |
| F | - | - | - | - | - | - | - | - | - |
| Total | \$ 6,381 | \$ - | \$ 3,718 | \$ - | \$ 13,103 | \$ 100 | \$ - | \$ 14,011 | \$ 37,313 |

| | | | |
|---|---------------------------------|---|---------------------------|
| A | Property Taxes — Current | D | Loans Receivable |
| B | Other | E | Accrued Interest |
| C | Due From Other Government Units | F | Delinquent Property Taxes |

NOTE 4 – INTER-FUND RECEIVABLES AND PAYABLES AND TRANSFERS IN/OUT

Township of Michigamme, Michigan reports inter-fund balances between many of its funds. The total of all balances agrees with the sum of inter-fund balances presented in the statements of net position/balance sheet for governmental funds. Inter-fund transactions resulting in inter-fund receivables and payables are as follows:

DUE FROM OTHER FUNDS

| DUE TO OTHER FUNDS | | | | | | | | |
|--------------------------|--------------|-----------|-----------|------------|--------------|-----------|------------|----------------------------|
| | General Fund | Road Fund | Fire Fund | Bldg. Fund | Garbage Fund | Park Fund | Sewer Fund | Total Due from Other Funds |
| General Fund | \$ - | \$ - | \$ 6,158 | \$ - | \$ 4,353 | \$ 1,589 | \$ 2,389 | \$ 14,489 |
| Road Fund | 5,891 | - | - | - | - | - | - | 5,891 |
| Fire Fund | 5,933 | - | - | - | - | - | - | 5,933 |
| Building Fund | 4,216 | - | - | - | - | - | - | 4,216 |
| Garbage Fund | 5,235 | - | - | - | - | - | - | 5,235 |
| Park Fund | 1,190 | - | - | - | - | - | - | 1,190 |
| Sewer Fund | 9,872 | - | - | - | - | - | - | 9,872 |
| Total Due to Other Funds | \$32,337 | \$ - | \$ 6,158 | \$ - | \$ 4,353 | \$ 1,589 | \$ 2,389 | \$46,826 |

All balances resulted from the time lag between the dates that (1) Inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

**NOTE 4 – INTER-FUND RECEIVABLES AND PAYABLES AND TRANSFERS IN/OUT
 (CONTINUED)**

| | TRANSFERS OUT | | | | | | | Total Transfers In |
|---------------------|---------------|-----------|------------|---------------|--------------|-----------|--|--------------------|
| | General Fund | Road Fund | Fire Fund | Building Fund | Garbage Fund | Park Fund | | |
| General Fund | \$ - | \$ - | \$ 145,000 | \$ - | \$ 90,000 | \$ 10,000 | | \$ 245,000 |
| Road Fund | - | - | - | - | - | - | | - |
| Fire Fund | - | - | - | - | - | - | | - |
| Building Fund | - | - | - | - | - | - | | - |
| Garbage Fund | - | - | - | - | - | - | | - |
| Park Fund | - | - | - | - | - | - | | - |
| Sewer Fund | - | - | - | - | - | - | | - |
| Total Transfers Out | \$ - | \$ - | \$ 145,000 | \$ - | \$ 90,000 | \$ 10,000 | | \$ 245,000 |

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) move 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 5 - CAPITAL ASSETS

A summary of the capital assets of the governmental activities is as follows:

| | Balance at April 1, 2018 | | | Balance at March 31, 2019 |
|---------------------------------------|--------------------------|------------|--------------|---------------------------|
| | | Additions | Disposals | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 647,500 | \$ - | \$ - | \$ 647,500 |
| Construction in progress | 298,680 | 12,000 | (298,680) | 12,000 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,735,599 | 66,300 | - | 1,801,899 |
| Streetscape improvements | - | 298,680 | - | 298,680 |
| Furniture and equipment | 1,115,164 | 20,007 | - | 1,135,171 |
| Total Capital Assets | 3,796,943 | 396,987 | (298,680) | 3,895,250 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (1,187,510) | (28,101) | - | (1,215,611) |
| Streetscape improvements | - | (19,912) | - | (19,912) |
| Furniture and equipment | (785,031) | (41,945) | - | (826,976) |
| Total Accumulated Depreciation | (1,972,541) | (89,958) | - | (2,062,499) |
| Capital Assets, Net | \$ 1,824,402 | \$ 307,029 | \$ (298,680) | \$ 1,832,751 |

See independent auditor's report and financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

| | |
|--------------------------|-----------------|
| Unallocated Depreciation | <u>\$89,958</u> |
| Total | <u>\$89,958</u> |

A summary of changes in business-type activities capital assets is as follows:

| | Balance at April 1, 2018 | Additions | Disposals | Balance at March 31, 2019 |
|---------------------------------------|--------------------------------|-------------------|-------------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 58,724 | \$ - | \$ - | \$ 58,724 |
| Capital assets being depreciated: | | | | |
| Sewer System | 1,796,548 | - - | - - | 1,796,548 |
| Wastewater Lift Station Upgrades | 730,117 | - - | - - | 730,117 |
| Equipment | - - | 45,073 | - - | 45,073 |
| Total Capital Assets | <u>2,585,389</u> | <u>- -</u> | <u>- -</u> | <u>2,630,462</u> |
| Less accumulated depreciation: | | | | |
| Sewer System | (940,957) | (35,931) | - - | (976,888) |
| Wastewater Lift Station Upgrades | (21,903) | (14,602) | - - | (36,505) |
| Equipment | - - | (1,127) | - - | (1,127) |
| Total Accumulated Depreciation | <u>(962,860)</u> | <u>(51,660)</u> | <u>- -</u> | <u>(1,014,520)</u> |
| Capital Assets, Net | <u>\$ 1,622,529</u> | <u>\$ (6,587)</u> | <u>\$ -</u> | <u>\$ 1,615,942</u> |

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

| | |
|---------------------------|-----------------|
| Business-Type Activities: | |
| Sewer Fund | <u>\$51,660</u> |
| Total | <u>\$51,660</u> |

NOTE 6 - LONG-TERM DEBT

The government issues bonds and loans to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time of debt service payments are due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

See independent auditor's report and financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

A summary of long-term liability activity for the year ended March 31, 2019 is as follows:

| | March 31, 2018 | Additions | Principal Payments | March 31, 2019 | Due Within One Year |
|----------------------------------|---------------------------|-------------------------|---------------------------|---------------------------|-------------------------|
| Governmental Activities: | | | | | |
| Road Bond | \$ 745,000 | \$ - | (\$55,000) | \$ 690,000 | \$ 55,000 |
| Total Governmental Activities | <u>745,000</u> | <u>-</u> | <u>(55,000)</u> | <u>690,000</u> | <u>55,000</u> |
| Business-Type Activities: | | | | | |
| Sewer: | | | | | |
| Revenue Bond | 295,000 | - | (295,000) | - | - |
| Special Assessment Bond | 15,000 | - | (5,000) | 10,000 | 5,000 |
| Revenue Bond | 188,000 | - | (3,000) | 185,000 | 3,000 |
| Note Payable – General Fund | - | 278,000 | (7,992) | <u>270,008</u> | <u>16,224</u> |
| Total Business-Type Activities | <u>498,000</u> | <u>-</u> | <u>(310,992)</u> | <u>465,008</u> | <u>24,224</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$1,243,000</u> | <u>\$278,000</u> | <u>(\$365,992)</u> | <u>\$1,155,008</u> | <u>\$ 79,224</u> |

Individual bond and contractual obligation activity can be summarized as follows:

| ROAD BOND March 31, 2018 | | | | |
|-----------------------------|-------------------|-------------------|------------------------|-------------------|
| | May 1 Interest | Principal | November 1 Interest | Total |
| 2019-2020 | 11,665 | 55,000 | 11,665 | 78,330 |
| 2020-2021 | 11,005 | 60,000 | 11,005 | 82,010 |
| 2021-2022 | 10,210 | 60,000 | 10,210 | 80,420 |
| 2022-2023 | 9,340 | 65,000 | 9,340 | 83,680 |
| 2023-2024 | 8,333 | 65,000 | 8,332 | 81,665 |
| 2024-2028 | 22,921 | 385,000 | 22,921 | 430,843 |
| Thereafter | - | - | - | - |
| Total | <u>\$ 73,474</u> | <u>\$ 690,000</u> | <u>\$ 73,473</u> | <u>\$ 836,948</u> |

The Bond was originally issued for \$945,000 on December 19, 2013. Bond payments are due semi-annually, May 1 (interest) and November 1 (principal and interest), with an interest rate varying 1.200% to 4.000%.

SEWER SPECIAL ASSESSMENT BOND
March 31, 2018

| | April 1 Principal | Interest | October 1 Interest | Total |
|-----------|----------------------|---------------|-----------------------|------------------|
| 2019-2020 | 5,000 | 356 | 178 | 5,534 |
| 2020-2021 | 5,000 | 178 | - | 5,178 |
| Total | <u>\$ 10,000</u> | <u>\$ 534</u> | <u>\$ 178</u> | <u>\$ 10,712</u> |

The Bond was originally issued for \$150,000 on September 10, 1991. Bond Payments are due Semi-annually, April 1 (principal plus interest) and October 1 (interest), with an interest rate of 7.125%.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 6 - LONG-TERM DEBT (CONTINUED)

SEWER REVENUE BOND
March 31, 2019

| | April 1 Interest | Principal | October 1 Interest | Total |
|------------|---------------------|-------------------|-----------------------|-------------------|
| 2019-2020 | 1,850 | 3,000 | 1,850 | 6,700 |
| 2020-2021 | 1,820 | 3,000 | 1,820 | 6,640 |
| 2021-2022 | 1,790 | 3,000 | 1,790 | 6,580 |
| 2022-2023 | 1,760 | 3,000 | 1,760 | 6,520 |
| 2023-2024 | 1,730 | 3,000 | 1,730 | 6,460 |
| 2024-2028 | 8,140 | 19,000 | 8,140 | 35,280 |
| Thereafter | <u>23,700</u> | <u>151,000</u> | <u>23,700</u> | <u>198,400</u> |
| Total | <u>\$ 40,790</u> | <u>\$ 185,000</u> | <u>\$ 40,790</u> | <u>\$ 266,580</u> |

The Bond was originally issued for \$194,000 on October 22, 2015. Bond Payments are due Semi-annually, April 1 (interest) and October 1 (principal plus interest), with an interest rate of 2.00%.

Sewer Fund – Note Payable to General Fund

On July 5, 2018, the Sewer Fund entered into a note payable to the General Fund, for the purpose of refinancing a higher interest rate revenue bond. The original principal balance of the note was \$278,000. Principal and interest payments of \$10,772 are due semi-annually, with an interest rate of 2.00%. The loan is fully amortizing over a 15-year term.

The annual debt service requirements to maturity for the non-current liabilities (excluding compensated absences) are as follows:

| Year | Governmental Activities | Business-Type Activities | Total Primary Government |
|------------|-------------------------|--------------------------|--------------------------|
| 2019-2020 | 55,000 | 24,224 | 79,224 |
| 2020-2021 | 60,000 | 24,551 | 84,551 |
| 2021-2022 | 60,000 | 19,883 | 89,883 |
| 2022-2023 | 65,000 | 20,223 | 85,223 |
| 2023-2024 | 65,000 | 20,569 | 85,569 |
| 2024-2029 | 385,000 | 112,285 | 497,285 |
| Thereafter | <u>-</u> | <u>243,273</u> | <u>243,273</u> |
| Total | <u>\$ 690,000</u> | <u>\$ 465,008</u> | <u>\$ 1,155,008</u> |

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 7 - RESTRICTED CASH/NET POSITION

The Sewer System Fund has restricted net position totaling \$54,498, which represents the balance available to pay down debt in accordance with the following bond covenants:

| | <u>March 31, 2019</u> | | |
|---|-----------------------|------------------|------------------|
| | <u>Required</u> | <u>Actual</u> | |
| | <u>Balance</u> | <u>Balance</u> | |
| I. Construction Accounts: | | | |
| These accounts are used to receive loan/grant proceeds and pay construction costs. | | | |
| a. 2016 Sewer Bond | \$ - | \$ - | |
| II. Bond Payment Accounts: | | | |
| These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default. | | | |
| a. 1990 Special Assessment | 5,356 | 5,713 | |
| b. 2016 Sewer Bond | 1,850 | 2,992 | |
| III. Bond Reserve Accounts: | | | |
| These accounts are required to be funded per bond issues. The fund shall be used solely for payment of principal and interest on the bonds as to which would otherwise be in default. | | | |
| a. 1990 Special Assessment | 7,500 | 7,536 | |
| b. 2016 Sewer Bond | 4,000 | 4,013 | |
| IV. Capital Improvement Accounts: | | | |
| These accounts are required to be funded per bond. These funds are to be used for repairs, replacement, or improvements to the water system. If the amounts in the bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose. | | | |
| a. 2016 Sewer Bond | <u>31,000</u> | <u>34,244</u> | |
| | Total | \$ 49,706 | \$ 54,498 |

NOTE 8 - FUND BALANCES - GOVERNMENTAL FUNDS

As of March 31, 2019, fund balances of the governmental funds are classified as follows:

Non-spendable — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 8 - FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the Township. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Township's adopted policy, only the Manager or the Board of Trustees may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

| | General Fund | Major Special Revenue Funds | Non-major Special Revenue Funds | Total |
|----------------|---------------------|-----------------------------|---------------------------------|---------------------|
| Non-Spendable: | | | | |
| Prepays | \$ 4,888 | \$ 10,511 | \$ 1,589 | \$ 16,988 |
| Restricted: | | | | |
| Road Fund | - | 854,858 | - | 854,858 |
| Fire Fund | - | 1,229,547 | - | 1,229,547 |
| Building Fund | - | 587,055 | - | 587,055 |
| Garbage Fund | - | 1,041,341 | - | 1,041,341 |
| Park Fund | - | - | 221,754 | 221,754 |
| DDA Fund | - | - | 24,060 | 24,060 |
| Committed: | | | | |
| None | - | - | - | - |
| Assigned: | | | | |
| None | - | - | - | - |
| Unassigned | <u>1,201,639</u> | <u>-</u> | <u>-</u> | <u>1,201,639</u> |
| | <u>\$ 1,206,527</u> | <u>\$ 3,723,312</u> | <u>\$ 247,403</u> | <u>\$ 5,177,242</u> |

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Township considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Township considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 9 - PROPERTY TAXES

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township 2018 ad valorem tax is levied and collectible on December 1, 2018, it is the Township's policy to recognize revenue from the current tax levy 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 2018 taxable valuation of the Township totaled \$40,394,156 on which ad valorem taxes levied consisted of 2.8640 mills for the Township operation purposes, 3.9792 mills for garbage, road, park and community building operations, 2.4870 mills for fire and emergency management service operations, 1.4680 mills for the community building and 1.4721 for road operations. These amounts are recognized in the General Fund, Garbage Fund, Fire Fund, Road Fund, Park Fund and Building fund financial statements as revenue.

NOTE 10 - CONTINGENT LIABILITIES

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 has obtained commercial insurance to handle its risk of loss.

NOTE 11 - JOINT VENTURE

In June 1988, Township of Michigamme, Michigan joined with 19 other municipalities to create the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who is the Chairperson of the board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other 6 Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

TOWNSHIP OF MICHIGAMME, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 11 - JOINT VENTURE (CONTINUED)

The Township's share of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position is approximately 1 percent. Summary financial information from the Authority's audited financial statements as of and for the fiscal year ended June 30, 2018, is as follows:

| | |
|---|---------------|
| Total Assets | \$ 13,610,511 |
| Total Deferred Outflows of Resources | 102,492 |
| Total Liabilities | 3,180,530 |
| Total Deferred Inflows of Resources | 128,509 |
| Total Net Position | 10,403,964 |
| Total Operating Revenues | 3,179,632 |
| Total Operating Expenses | (3,465,106) |
| Total Non-operating Revenues (Expenses) | 89,592 |
| Net Income (Loss) | \$ (195,882) |

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township has variances with regards to expenditures over appropriations in their funds as of March 31, 2019:

| | Final Budget | Actual | Unfavorable Variance |
|-----------------------------------|-----------------|-----------|-------------------------|
| General Fund: | | | |
| Recreation and Culture: | | | |
| Museum | \$ 15,665 | \$ 16,529 | \$ 864 |
| 4 th of July Committee | - | 14,807 | 14,807 |
| Kids Recreation Committee | - | 700 | 700 |
| Special Revenue: | | | |
| Garbage Fund: | | | |
| Sanitation | 167,517 | 171,987 | 4,404 |

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF MICHIGAMME, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------------|---|
| | Original | Final | | |
| | REVENUES: | | | |
| Taxes | \$ 331,235 | \$ 331,100 | \$ 367,319 | \$ 36,219 |
| Licenses and permits | - | - | - | - |
| Federal sources | - | - | - | - |
| State sources | 64,183 | 64,318 | 66,065 | 1,747 |
| Local sources | - | - | - | - |
| Charges for services | 10,731 | 10,830 | 10,245 | (585) |
| Fines and forfeits | - | - | - | - |
| Interest and rents | 500 | 500 | 2,899 | 2,399 |
| Other revenues | 72,283 | 72,184 | 44,955 | (27,229) |
| TOTAL REVENUES | 478,932 | 478,932 | 491,483 | 12,551 |
| EXPENDITURES: | | | | |
| Legislative | 125,218 | 143,993 | 128,389 | 15,604 |
| General services and administration | 179,396 | 96,220 | 89,294 | 6,926 |
| Public safety | - | - | - | - |
| Public works | 28,900 | 89,546 | 48,680 | 40,866 |
| Health and welfare | - | - | - | - |
| Community and economic development | 4,050 | 4,050 | 1,868 | 2,182 |
| Recreation and culture | 17,735 | 24,040 | 38,550 | (14,510) |
| Capital outlay | - | - | 9,685 | (9,685) |
| Debt service | - | - | - | - |
| TOTAL EXPENDITURES | 355,299 | 357,849 | 316,466 | 41,383 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 123,633 | 121,083 | 175,017 | 53,934 |
| INVESTMENT INCOME (LOSS): | | | | |
| Interest, dividends, and fees | - | - | 6,253 | 6,253 |
| Change in market value | - | - | 1,696 | 1,696 |
| TOTAL INVESTMENT INCOME (LOSS) | - | - | 7,949 | 7,949 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 245,000 | 245,000 |
| Transfers (out) | - | - | - | - |
| Other financing sources | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 245,000 | 245,000 |
| CHANGE IN FUND BALANCE | 123,633 | 121,083 | 427,966 | 306,883 |
| Fund balance, beginning of year | 776,873 | 776,873 | 776,873 | - |
| FUND BALANCE, END OF YEAR | \$ 900,506 | \$ 897,956 | \$ 1,204,839 | \$ 306,883 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
ROAD FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|---|-------------------|-------------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES: | | | | |
| Taxes | \$ 101,900 | \$ 101,900 | \$ 258,361 | \$ 156,461 |
| State sources | 34,174 | 34,174 | 33,740 | (434) |
| Other revenues | 300 | 300 | 301 | 1 |
| | TOTAL REVENUES | 136,374 | 292,402 | 156,028 |
| EXPENDITURES: | | | | |
| Public works | 291,957 | 291,357 | 188,460 | 102,897 |
| Debt service | 78,935 | 79,535 | 79,540 | (5) |
| | TOTAL EXPENDITURES | 370,892 | 268,000 | 102,892 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (234,518) | (234,518) | 24,402 | 258,920 |
| INVESTMENT INCOME (LOSS): | | | | |
| Interest, dividends, and fees | - | - | 8,799 | 8,799 |
| Change in market value | - | - | (300) | (300) |
| | TOTAL INVESTMENT INCOME (LOSS) | - | 8,499 | 8,499 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| CHANGE IN FUND BALANCE | (234,518) | (234,518) | 32,901 | 267,419 |
| Fund balance, beginning of year | 821,253 | 821,253 | 821,253 | - |
| | FUND BALANCE, END OF YEAR | \$ 586,735 | \$ 586,735 | \$ 854,154 |
| | | | | \$ 267,419 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
FIRE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES: | | | | |
| Taxes | \$ 105,200 | \$ 105,200 | \$ 259,674 | \$ 154,474 |
| Licenses and permits | - | - | - | - |
| Federal sources | - | - | - | - |
| State sources | 21,793 | - | 30,554 | 30,554 |
| Local sources | - | - | - | - |
| Charges for services | - | - | 25,365 | 25,365 |
| Fines and forfeits | - | - | - | - |
| Interest and rents | 280 | 280 | 133 | (147) |
| Other revenues | 620 | 620 | 25 | (595) |
| TOTAL REVENUES | 127,893 | 106,100 | 315,751 | 209,651 |
| EXPENDITURES: | | | | |
| Legislative | - | - | - | - |
| General services and administration | - | - | - | - |
| Public safety | 50,548 | 50,548 | 26,058 | 24,490 |
| Public works | - | - | - | - |
| Health and welfare | 37,625 | 59,625 | 19,274 | 40,351 |
| Community and economic development | - | - | - | - |
| Recreation and culture | - | - | - | - |
| Capital outlay | 22,000 | - | 10,322 | (10,322) |
| Debt service | - | - | - | - |
| TOTAL EXPENDITURES | 110,173 | 110,173 | 55,654 | 54,519 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 17,720 | (4,073) | 260,097 | 264,170 |
| INVESTMENT INCOME (LOSS): | | | | |
| Interest, dividends, and fees | - | - | 17,096 | 17,096 |
| Change in market value | - | - | 1,514 | 1,514 |
| TOTAL INVESTMENT INCOME (LOSS) | - | - | 18,610 | 18,610 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | (145,000) | (145,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (145,000) | (145,000) |
| CHANGE IN FUND BALANCE | 17,720 | (4,073) | 133,707 | 137,780 |
| Fund balance, beginning of year | 1,100,228 | 1,100,228 | 1,100,228 | - |
| FUND BALANCE, END OF YEAR | \$ 1,117,948 | \$ 1,096,155 | \$ 1,233,935 | \$ 137,780 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
BUILDING FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES: | | | | |
| Taxes | \$ 64,730 | \$ 64,730 | \$ 184,674 | \$ 119,944 |
| Licenses and permits | - | - | - | - |
| Federal sources | - | - | - | - |
| State sources | 22,442 | - | 21,701 | 21,701 |
| Local sources | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest and rents | 1,460 | 1,460 | 380 | (1,080) |
| Other revenues | 70 | 70 | - | (70) |
| TOTAL REVENUES | 88,702 | 66,260 | 206,755 | 140,495 |
| EXPENDITURES: | | | | |
| Legislative | - | - | - | - |
| General services and administration | 60,093 | 62,793 | 51,862 | 10,931 |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | - | - | - | - |
| Community and economic development | - | - | - | - |
| Recreation and culture | - | - | - | - |
| Capital outlay | 90,000 | 87,300 | 78,300 | 9,000 |
| Debt service | - | - | - | - |
| TOTAL EXPENDITURES | 150,093 | 150,093 | 130,162 | 19,931 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (61,391) | (83,833) | 76,593 | 160,426 |
| INVESTMENT INCOME (LOSS): | | | | |
| Interest, dividends, and fees | - | - | 6,180 | 6,180 |
| Change in market value | - | - | (110) | (110) |
| TOTAL INVESTMENT INCOME (LOSS) | - | - | 6,070 | 6,070 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| CHANGE IN FUND BALANCE | (61,391) | (83,833) | 82,663 | 166,496 |
| Fund balance, beginning of year | 503,784 | 503,784 | 503,784 | - |
| FUND BALANCE, END OF YEAR | \$ 442,393 | \$ 419,951 | \$ 586,447 | \$ 166,496 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
GARBAGE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2019

| | Budgeted Amounts | | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------------|---|
| | Original | Final | | |
| | | | | |
| REVENUES: | | | | |
| Taxes | \$ 79,000 | \$ 79,000 | \$ 230,242 | \$ 151,242 |
| Licenses and permits | - | - | - | - |
| Federal sources | - | - | - | - |
| State sources | 26,332 | - | 26,887 | 26,887 |
| Local sources | - | - | - | - |
| Charges for services | 104,700 | 104,700 | 126,967 | 22,267 |
| Fines and forfeits | - | - | - | - |
| Interest and rents | 70 | 70 | 60 | (10) |
| Other revenues | 5,000 | 5,000 | 5,989 | 989 |
| TOTAL REVENUES | 215,102 | 188,770 | 390,145 | 201,375 |
| EXPENDITURES: | | | | |
| Legislative | - | - | - | - |
| General services and administration | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 167,517 | 167,517 | 171,921 | (4,404) |
| Health and welfare | - | - | - | - |
| Community and economic development | - | - | - | - |
| Recreation and culture | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| TOTAL EXPENDITURES | 167,517 | 167,517 | 171,921 | (4,404) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 47,585 | 21,253 | 218,224 | 196,971 |
| INVESTMENT INCOME (LOSS): | | | | |
| Interest, dividends, and fees | - | - | 14,824 | 14,824 |
| Change in market value | - | - | 1,358 | 1,358 |
| TOTAL INVESTMENT INCOME (LOSS) | - | - | 16,182 | 16,182 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | (90,000) | (90,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | (90,000) | (90,000) |
| CHANGE IN FUND BALANCE | 47,585 | 21,253 | 144,406 | 123,153 |
| Fund balance, beginning of year | 899,694 | 899,694 | 899,694 | - |
| FUND BALANCE, END OF YEAR | \$ 947,279 | \$ 920,947 | \$ 1,044,100 | \$ 123,153 |

See independent auditor's report and notes to the financial statements

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF MICHIGAMME, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019**

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---------------------------|-----------------------------------|-------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 122,000 | \$ 107,194 | \$ (14,806) |
| Severance tax | 177,660 | 218,055 | 40,395 |
| Commercial forest reserve | 6,840 | 7,596 | 756 |
| Swamp tax | 12,600 | 12,831 | 231 |
| Tax collection fees | 12,000 | 21,643 | 9,643 |
| | Total Property Taxes | 331,100 | 367,319 |
| | 331,100 | 367,319 | 36,219 |
| State Sources: | | | |
| State revenue sharing | 30,000 | 29,626 | (374) |
| State sources - other | 34,318 | 36,439 | 2,121 |
| | Total State Sources | 64,318 | 66,065 |
| | 64,318 | 66,065 | 1,747 |
| Charges for Services: | | | |
| Zoning | 300 | 460 | 160 |
| Burial | 1,300 | 1,334 | 34 |
| Cemetery - Spurr Township | 8,580 | 8,109 | (471) |
| Miscellaneous services | 650 | 342 | (308) |
| | Total Charges for Services | 10,830 | 10,245 |
| | 10,830 | 10,245 | (585) |
| Interest and Rents: | | | |
| Interest | 500 | 2,780 | 2,280 |
| Rents | - | - | - |
| Excess equipment sale | - | 119 | 119 |
| | Total Interest and Rents | 500 | 2,899 |
| | 500 | 2,899 | 2,399 |
| Other Revenues: | | | |
| Library | - | 2,545 | 2,545 |
| Museum | - | 22,566 | 22,566 |
| 4th of July committee | - | 14,611 | 14,611 |
| Fitness committee | - | - | - |
| Miscellaneous other | 72,184 | 5,233 | (66,951) |
| | Total Other Revenues | 72,184 | 44,955 |
| | 72,184 | 44,955 | (27,229) |
| | TOTAL REVENUES | \$ 478,932 | \$ 491,483 |
| | \$ 478,932 | \$ 491,483 | \$ 12,551 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|----------------------------|-----------------------|-------------------------|---|
| EXPENDITURES: | | | |
| LEGISLATIVE | | | |
| Township Board: | | | |
| Personnel services | \$ 71,318 | \$ 58,903 | \$ 12,415 |
| Supplies | 7,100 | 2,311 | 4,789 |
| Other services and charges | 65,575 | 67,175 | (1,600) |
| Total Township Board | <u>143,993</u> | <u>128,389</u> | <u>15,604</u> |
| TOTAL LEGISLATIVE | <u>143,993</u> | <u>128,389</u> | <u>15,604</u> |
| GENERAL GOVERNMENT | | | |
| Supervisor: | | | |
| Personnel services | 7,380 | 7,380 | - |
| Supplies | - | - | - |
| Other services and charges | 3,850 | 2,091 | 1,759 |
| Total Supervisor | <u>11,230</u> | <u>9,471</u> | <u>1,759</u> |
| Elections: | | | |
| Personnel services | 1,500 | 1,475 | 25 |
| Supplies | 1,400 | 1,394 | 6 |
| Other services and charges | 820 | 518 | 302 |
| Total Elections | <u>3,720</u> | <u>3,387</u> | <u>333</u> |
| Assessor: | | | |
| Personnel services | 8,000 | 6,964 | 1,036 |
| Supplies | 700 | 916 | (216) |
| Other services and charges | 500 | 50 | 450 |
| Total Assessor | <u>9,200</u> | <u>7,930</u> | <u>1,270</u> |
| Clerk: | | | |
| Personnel services | 19,400 | 19,277 | 123 |
| Supplies | - | - | - |
| Other services and charges | 1,500 | 330 | 1,170 |
| Total Clerk | <u>20,900</u> | <u>19,607</u> | <u>1,293</u> |
| Board of Review: | | | |
| Personnel services | 1,200 | 1,055 | 145 |
| Supplies | - | - | - |
| Other services and charges | 850 | 700 | 150 |
| Total Board of Review | <u>\$ 2,050</u> | <u>\$ 1,755</u> | <u>\$ 295</u> |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-------------------------|---|
| Treasurer: | | | |
| Personnel services | \$ 13,600 | \$ 13,513 | \$ 87 |
| Supplies | 600 | 533 | 67 |
| Other services and charges | 1,350 | 1,001 | 349 |
| Total Treasurer | <u>15,550</u> | <u>15,047</u> | <u>503</u> |
| Township Hall and Grounds: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 13,000 | 13,000 | - |
| Total Township Hall and Grounds | <u>13,000</u> | <u>13,000</u> | <u>-</u> |
| Cemetery: | | | |
| Personnel services | 7,450 | 9,083 | (1,633) |
| Supplies | 2,250 | 1,650 | 600 |
| Other services and charges | 10,870 | 8,364 | 2,506 |
| Total Cemetery | <u>20,570</u> | <u>19,097</u> | <u>1,473</u> |
| TOTAL GENERAL GOVERNMENT | <u>96,220</u> | <u>89,294</u> | <u>6,926</u> |
| PUBLIC SAFETY | | | |
| Sheriff Contract: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | - | - | - |
| Total Sheriff Contract | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL PUBLIC SAFETY | <u>-</u> | <u>-</u> | <u>-</u> |
| PUBLIC WORKS | | | |
| Department of public works | | | |
| Personnel services | 56,296 | 27,661 | 28,635 |
| Supplies | 4,800 | 4,760 | 40 |
| Other services and charges | 18,450 | 17,116 | 1,334 |
| Total DPW | <u>79,546</u> | <u>49,537</u> | <u>30,009</u> |
| Streetlights: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 10,000 | 8,828 | 1,172 |
| Total Streetlights | <u>10,000</u> | <u>8,828</u> | <u>1,172</u> |
| TOTAL PUBLIC WORKS | <u>\$ 89,546</u> | <u>\$ 58,365</u> | <u>\$ 31,181</u> |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|------------------------------------|-------------------------|---|
| COMMUNITY AND ECONOMIC DEVELOPMENT | | | |
| Zoning: | | | |
| Personnel services | \$ 2,000 | \$ 1,575 | \$ 425 |
| Supplies | 50 | 124 | (74) |
| Other services and charges | 2,000 | 169 | 1,831 |
| | <u>Total Zoning</u> | <u>4,050</u> | <u>1,868</u> |
| | 4,050 | 1,868 | 2,182 |
| TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT | | | |
| RECREATION AND CULTURE | | | |
| Senior Center: | | | |
| Personnel services | - | - | - |
| Supplies | - | - | - |
| Other services and charges | 3,640 | 3,640 | - |
| | <u>Total Senior Center</u> | <u>3,640</u> | <u>3,640</u> |
| Library: | | | |
| Personnel services | 450 | 308 | 142 |
| Supplies | 150 | 169 | (19) |
| Other services and charges | 4,135 | 2,397 | 1,738 |
| | <u>Total Library</u> | <u>4,735</u> | <u>2,874</u> |
| | 4,735 | 2,874 | 1,861 |
| Museum: | | | |
| Personnel services | 1,100 | 998 | 102 |
| Supplies | 3,350 | 2,910 | 440 |
| Other services and charges | 11,215 | 12,621 | (1,406) |
| | <u>Total Museum</u> | <u>15,665</u> | <u>16,529</u> |
| | 15,665 | 16,529 | (864) |
| 4th of July Committee: | | | |
| Personnel services | - | - | - |
| Supplies | - | 14,807 | (14,807) |
| Other services and charges | - | - | - |
| | <u>Total 4th of July Committee</u> | <u>-</u> | <u>14,807</u> |
| | - | 14,807 | (14,807) |
| Kids Recreation Committee: | | | |
| Personnel services | - | - | - |
| Supplies | - | 700 | (700) |
| Other services and charges | - | - | - |
| | <u>Total Fitness Committee</u> | <u>-</u> | <u>700</u> |
| | - | 700 | (700) |
| TOTAL RECREATION AND CULTURE | 24,040 | 38,550 | (14,510) |
| TOTAL EXPENDITURES | 357,849 | 316,466 | 41,383 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | \$ 121,083 | \$ 175,017 | \$ 53,934 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------------|---|
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | \$ - | \$ 6,253 | \$ 6,253 |
| Change in market value | - - | 1,696 | 1,696 |
| TOTAL INVESTMENT INCOME (LOSS) | - | 7,949 | 7,949 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - - | 245,000 | 245,000 |
| Transfers (out) | - - | - - | - - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 245,000 | 245,000 |
| CHANGE IN FUND BALANCE | | | |
| Fund balance, beginning of year | 121,083 | 427,966 | 306,883 |
| FUND BALANCE, END OF YEAR | \$ 897,956 | \$ 1,204,839 | \$ 306,883 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

ROAD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|---|-------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 95,000 | \$ 98,892 | \$ 3,892 |
| Severance tax | - | 152,615 | 152,615 |
| Commercial forest reserve | 6,900 | 6,854 | (46) |
| | Total Property Taxes | 101,900 | 258,361 |
| | | | 156,461 |
| State Sources: | | | |
| State of Michigan | 3,300 | 3,433 | 133 |
| Local community stabilization | 30,874 | 30,307 | (567) |
| | Total State Sources | 34,174 | 33,740 |
| | | | (434) |
| Other Revenue: | | | |
| Reimbursements | - | - | - |
| Interest | 300 | 301 | 1 |
| Other | - | - | - |
| | Total Other Revenue | 300 | 301 |
| | | | 1 |
| | TOTAL REVENUES | 136,374 | 292,402 |
| | | | 156,028 |
| EXPENDITURES | | | |
| PUBLIC WORKS: | | | |
| Road: | | | |
| Personnel services | 6,757 | 2,263 | 4,494 |
| Supplies | 100 | 56 | 44 |
| Other services and charges | 284,500 | 186,141 | 98,359 |
| | TOTAL PUBLIC WORKS | 291,357 | 188,460 |
| | | | 102,897 |
| Capital outlay | - | - | - |
| Debt service | 79,535 | 79,540 | (5) |
| | TOTAL EXPENDITURES | 370,892 | 268,000 |
| | | | 102,892 |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (234,518) | 24,402 |
| | | | 258,920 |
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | - | 8,799 | 8,799 |
| Change in market value | - | (300) | (300) |
| | TOTAL INVESTMENT INCOME (LOSS) | - | 8,499 |
| | | | 8,499 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | - |
| | | | - |
| | CHANGE IN FUND BALANCE | (234,518) | 32,901 |
| | | | 267,419 |
| Fund balance, beginning of year | 821,253 | 821,253 | - |
| | | | - |
| | FUND BALANCE, END OF YEAR | \$ 586,735 | \$ 854,154 |
| | | | \$ 267,419 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|---|-------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 98,500 | \$ 98,907 | \$ 407 |
| Severance tax | - | 153,858 | 153,858 |
| Commercial forest reserve | 6,700 | 6,909 | 209 |
| | <u>Total Property Taxes</u> | <u>105,200</u> | <u>259,674</u> |
| | | | |
| State Sources: | | | |
| Local community stabilization | 21,793 | 30,554 | 8,761 |
| | <u>Total State Sources</u> | <u>21,793</u> | <u>30,554</u> |
| | | | |
| Charges for Services: | | | |
| Fire services | - | 10,475 | 10,475 |
| EMS services | - | 14,890 | 14,890 |
| | <u>Total Charges for Services</u> | <u>-</u> | <u>25,365</u> |
| | | | |
| Interest and Rents: | | | |
| Interest | 280 | 133 | (147) |
| | <u>Total Interest and Rents</u> | <u>280</u> | <u>133</u> |
| | | | |
| Other Revenue: | | | |
| Miscellaneous | 620 | 25 | (595) |
| | <u>Total Other Revenue</u> | <u>620</u> | <u>25</u> |
| | | | |
| | TOTAL REVENUES | 127,893 | 315,751 |
| | | | |
| EXPENDITURES | | | |
| PUBLIC SAFETY: | | | |
| Fire Department: | | | |
| Personnel services | 5,593 | 3,997 | 1,596 |
| Supplies | 3,300 | 3,485 | (185) |
| Other services and charges | 41,655 | 18,576 | 23,079 |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| | <u>Total Fire Department</u> | <u>50,548</u> | <u>26,058</u> |
| | | | |
| | TOTAL PUBLIC SAFETY | 50,548 | 26,058 |
| | | | |
| HEALTH AND WELFARE: | | | |
| EMS Department: | | | |
| Personnel services | 18,900 | 15,495 | 3,405 |
| Supplies | 3,125 | 962 | 2,163 |
| Other services and charges | 15,600 | 2,817 | 12,783 |
| Capital outlay | 22,000 | 10,322 | 11,678 |
| | <u>Total EMS Department</u> | <u>59,625</u> | <u>29,596</u> |
| | | | |
| | TOTAL HEALTH AND WELFARE | 59,625 | 29,596 |
| | | | |
| | TOTAL EXPENDITURES | 110,173 | 55,654 |
| | | | |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 17,720 | 260,097 |
| | | | |
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | - | 17,096 | 17,096 |
| Change in market value | - | 1,514 | 1,514 |
| | <u>TOTAL INVESTMENT INCOME (LOSS)</u> | <u>-</u> | <u>18,610</u> |
| | | | |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | (145,000) | (145,000) |
| | <u>TOTAL OTHER FINANCING SOURCES (USES)</u> | <u>-</u> | <u>(145,000)</u> |
| | | | |
| | CHANGE IN FUND BALANCE | 17,720 | 133,707 |
| | | | |
| Fund balance, beginning of year | 1,100,228 | 1,100,228 | - |
| | | | |
| | FUND BALANCE, END OF YEAR | \$ 1,117,948 | \$ 1,233,935 |
| | | | |
| | \$ 115,987 | | |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

BUILDING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|--|--------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 60,000 | \$ 70,485 | \$ 10,485 |
| Severance taxes | - | 109,281 | 109,281 |
| Commercial forest reserve | 4,730 | 4,908 | 178 |
| | Total Property Taxes | 64,730 | 184,674 |
| | 64,730 | 184,674 | 119,944 |
| State Sources: | | | |
| Local community stabilization | 22,442 | 21,701 | (741) |
| | Total State Sources | 22,442 | 21,701 |
| | 22,442 | 21,701 | (741) |
| Interest and Rents: | | | |
| Interest | 260 | 330 | 70 |
| Rents | 1,200 | 50 | (1,150) |
| | Total Interest and Rents | 1,460 | 380 |
| | 1,460 | 380 | (1,080) |
| Other Revenue: | | | |
| Other | 70 | - | (70) |
| | Total Other Revenue | 70 | -(70) |
| | 70 | -(70) | |
| | TOTAL REVENUES | 88,702 | 206,755 |
| | 88,702 | 206,755 | 118,794 |
| EXPENDITURES | | | |
| GENERAL GOVERNMENT: | | | |
| Building: | | | |
| Personnel services | 20,763 | 17,914 | 2,849 |
| Supplies | 1,760 | 1,248 | 512 |
| Other services and charges | 40,270 | 32,700 | 7,570 |
| | Total Building | 62,793 | 51,862 |
| | 62,793 | 51,862 | 10,931 |
| | TOTAL GENERAL GOVERNMENT | 62,793 | 51,862 |
| | 62,793 | 51,862 | 10,931 |
| Capital outlay | 87,300 | 78,300 | 9,000 |
| Debt service | - | - | - |
| | TOTAL EXPENDITURES | 150,093 | 130,162 |
| | 150,093 | 130,162 | 19,931 |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (61,391) | 76,593 |
| | (61,391) | 76,593 | 138,725 |
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | - | 6,180 | 6,180 |
| Change in market value | - | (110) | (110) |
| | TOTAL INVESTMENT INCOME (LOSS) | - | 6,070 |
| | - | 6,070 | 6,070 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | - |
| | - | - | - |
| | CHANGE IN FUND BALANCE | (61,391) | 82,663 |
| | (61,391) | 82,663 | 144,795 |
| Fund balance, beginning of year | 503,784 | 503,784 | - |
| | FUND BALANCE, END OF YEAR | \$ 442,393 | \$ 586,447 |
| | \$ 442,393 | \$ 586,447 | \$ 144,795 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
GARBAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|--|--------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 73,000 | \$ 88,767 | \$ 15,767 |
| Severance tax | - | 135,395 | 135,395 |
| Commercial forest reserve | 6,000 | 6,080 | 80 |
| | Total Property Taxes | 79,000 | 230,242 |
| | 151,242 | | |
| State Sources: | | | |
| Local community stabilization | 26,332 | 26,887 | 555 |
| | Total State Sources | 26,332 | 26,887 |
| | 555 | | |
| Charges for Services: | | | |
| Contractors | 104,000 | 126,766 | 22,766 |
| Landfill tickets | 700 | 201 | 901 |
| | Total Charges for Services | 104,700 | 126,967 |
| | 23,667 | | |
| Interest and Rents: | | | |
| Interest | 70 | 60 | (10) |
| Rents | - | - | - |
| | Total Interest and Rents | 70 | 60 |
| | (10) | | |
| Other Revenue: | | | |
| Other | 5,000 | 5,989 | 989 |
| | Total Other Revenue | 5,000 | 5,989 |
| | 989 | | |
| | TOTAL REVENUES | 215,102 | 390,145 |
| | 175,888 | | |
| EXPENDITURES | | | |
| PUBLIC WORKS: | | | |
| Sanitation: | | | |
| Personnel services | 22,047 | 21,074 | 973 |
| Supplies | 4,850 | 3,961 | 889 |
| Other services and charges | 140,620 | 146,886 | (6,266) |
| | Total Sanitation | 167,517 | 171,921 |
| | (4,404) | | |
| Capital outlay | - | - | - |
| Debt service | - | - | - |
| | TOTAL EXPENDITURES | 167,517 | 171,921 |
| | (4,404) | | |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 47,585 | 218,224 |
| | 170,639 | | |
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | - | 14,824 | 14,824 |
| Change in market value | - | 1,358 | 1,358 |
| | TOTAL INVESTMENT INCOME (LOSS) | - | 16,182 |
| | 16,182 | | |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | (90,000) | (90,000) |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | (90,000) |
| | (90,000) | | |
| | CHANGE IN FUND BALANCE | 47,585 | 144,406 |
| | 96,821 | | |
| Fund balance, beginning of year | 899,694 | 899,694 | - |
| | FUND BALANCE, END OF YEAR | \$ 947,279 | \$ 1,044,100 |
| | \$ 96,821 | | |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN
MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|---|-------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 17,000 | \$ 20,173 | \$ 3,173 |
| Severance taxes | - | 30,772 | 30,772 |
| Commercial forest reserve | 1,400 | 1,382 | (18) |
| | Total Property Taxes | 18,400 | 52,327 |
| | 18,400 | 52,327 | 33,927 |
| State Sources: | | | |
| DNR grant | 115,000 | - | (115,000) |
| Local community stabilization | 5,985 | 6,111 | 126 |
| | Total State Sources | 120,985 | 6,111 |
| | 120,985 | 6,111 | (114,874) |
| Interest and Rents: | | | |
| Interest | 3 | 3 | - |
| Rents | 400 | 100 | (300) |
| | Total Interest and Rents | 403 | 103 |
| | 403 | 103 | (300) |
| Other Revenue: | | | |
| Other revenue | 340 | 530 | 190 |
| | Total Other Revenue | 340 | 530 |
| | 340 | 530 | 190 |
| | TOTAL REVENUES | 140,128 | 59,071 |
| | 140,128 | 59,071 | (81,057) |
| EXPENDITURES | | | |
| RECREATION AND CULTURE: | | | |
| Park: | | | |
| Personnel services | 8,204 | 6,836 | 1,368 |
| Supplies | 900 | 701 | 199 |
| Other services and charges | 63,675 | 10,091 | 53,584 |
| Capital outlay | 50,000 | 4,874 | 45,126 |
| | Total Park | 122,779 | 22,502 |
| | 122,779 | 22,502 | 100,277 |
| | TOTAL RECREATION AND CULTURE | 122,779 | 22,502 |
| | TOTAL EXPENDITURES | 122,779 | 22,502 |
| | 122,779 | 22,502 | 100,277 |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 17,349 | 36,569 |
| | 17,349 | 36,569 | 19,220 |
| INVESTMENT INCOME (LOSS): | | | |
| Interest, dividends, and fees | - | 2,105 | 2,105 |
| Change in market value | - | 160 | 160 |
| | TOTAL INVESTMENT INCOME (LOSS) | - | 2,265 |
| | - | 2,265 | 2,265 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | (10,000) | (10,000) |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | (10,000) |
| | - | (10,000) | (10,000) |
| | CHANGE IN FUND BALANCE | 17,349 | 28,834 |
| Fund balance, beginning of year | 194,232 | 194,232 | - |
| | FUND BALANCE, END OF YEAR | \$ 211,581 | \$ 223,066 |
| | \$ 211,581 | \$ 223,066 | \$ 11,485 |

See independent auditor's report and notes to the financial statements

TOWNSHIP OF MICHIGAMME, MICHIGAN

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

DDA FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2019

| | Final Budget | Actual GAAP Basis | Variance with Final Budget Positive (Negative) |
|--|--|-------------------------|---|
| REVENUES: | | | |
| Property Taxes: | | | |
| Current levy | \$ 4,700 | \$ 12,004 | \$ 7,304 |
| Severance taxes | - | - | - |
| Commercial forest reserve | - | - | - |
| | Total Property Taxes | 4,700 | 12,004 |
| | 4,700 | 12,004 | 7,304 |
| Interest and Rents: | | | |
| Interest | 10 | 11 | 1 |
| | Total Interest and Rents | 10 | 11 |
| | 10 | 11 | 1 |
| Other Revenue: | | | |
| Other | 600 | 1,285 | 685 |
| | Total Other Revenue | 600 | 1,285 |
| | 600 | 1,285 | 685 |
| | TOTAL REVENUES | 5,310 | 13,300 |
| | 5,310 | 13,300 | 7,990 |
| EXPENDITURES | | | |
| COMMUNITY DEVELOPMENT: | | | |
| Downtown Development Authority: | | | |
| Personnel services | - | - | - |
| Supplies | 70 | - | 70 |
| Other services and charges | 10,000 | 1,662 | 8,338 |
| Capital outlay | - | - | - |
| | Total Downtown Development Authority | 10,070 | 1,662 |
| | 10,070 | 1,662 | 8,408 |
| | TOTAL COMMUNITY DEVELOPMENT | 10,070 | 1,662 |
| | 10,070 | 1,662 | 8,408 |
| | TOTAL EXPENDITURES | 10,070 | 1,662 |
| | 10,070 | 1,662 | 8,408 |
| | EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (4,760) | 11,638 |
| | (4,760) | 11,638 | 16,398 |
| OTHER FINANCING SOURCES (USES): | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | - |
| | TOTAL OTHER FINANCING SOURCES (USES) | - | - |
| | - | - | - |
| | CHANGE IN FUND BALANCE | (4,760) | 11,638 |
| | (4,760) | 11,638 | 16,398 |
| Fund balance, beginning of year | 12,422 | 12,422 | - |
| | 12,422 | 12,422 | - |
| | FUND BALANCE, END OF YEAR | \$ 7,662 | \$ 24,060 |
| | \$ 7,662 | \$ 24,060 | \$ 16,398 |

See independent auditor's report and notes to the financial statements

COMPLIANCE SUPPLEMENTS



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

To the Board of Trustees of the
Township of Michigamme, Michigan
P.O. Box 220
Michigamme, Michigan 49861

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan, as of and for the year ended March 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township of Michigamme, Michigan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Michigamme, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Michigamme, Michigan's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Michigamme, Michigan's financial statements are free of 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.

Jason F. Clausen, P.C.

August 14, 2019

COMMUNICATIONS SECTION



Township of Michigamme, Michigan
Report to Management Letter
For the Year Ended March 31, 2019

To the Board of Trustees of the
Township of Michigamme, Michigan
P.O. Box 220
Michigamme, Michigan 49861

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Michigamme, Michigan as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 letter 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.

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

Jason F. Clausen, P.C.

August 14, 2019



Township of Michigamme, Michigan
Communication to Those Charged with Governance
For the Year Ended March 31, 2019

To the Board of Trustees of the
Township of Michigamme, Michigan
P.O. Box 220
Michigamme, Michigan 49861

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Michigamme, Michigan for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), 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 August 14, 2019. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Michigamme, Michigan are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments to record current year activity for fixed assets.
- Adjustments to record current year activity for long-term debt.
- Adjustments to record tax revenue and receivables.
- Adjustments to record inter-fund receivables and payables at year end.
- Adjustments to record the change in market value of investments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which 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 14, 2019.

Management Consultations with Other Independent Accountants

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

Our consideration of internal control was for the limited purpose described in the 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

As part of obtaining reasonable assurance about whether the Township of Michigamme, Michigan's financial statements are free of 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.

Other Matters

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

We were engaged to report on the Individual Major and Non-Major Fund Schedules of Revenues, Expenditures and Changes in Fund Balance — Budget to Actual, 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.

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

Jason F. Clausen, P.C.

August 14, 2019