

Township of Saugatuck
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended June 30, 2017

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 10
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	11
Statement of activities	12
Fund financial statements:	
Balance sheet - governmental funds	13
Statement of revenues, expenditures, and changes in fund balances - governmental funds	14 - 15
Notes to financial statements	16 - 27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	28
Road Fund	29
Schedule of changes in the Township's net pension liability and related ratios	30
Schedule of Township pension contributions	31
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	32
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	33
Schedule of bond retirement and annual interest requirements	34

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Saugatuck, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Saugatuck, Michigan, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Saugatuck, Michigan, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As described in Note 14 to the financial statements, the Township recorded a prior period adjustment to correct its method of accounting for intangible capital assets of the governmental activities. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, as listed in the contents, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Saugatuck, Michigan's basic financial statements. The combining nonmajor fund financial statements and the schedules of bond retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedules of bond retirement and annual interest requirements (supplementary information) 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

November 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Saugatuck's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$137,628 (3 percent) as a result of this year's operations.
- Total net position at the end of the fiscal year was \$5,181,357. However, \$3,214,506 of this total represents a net investment in capital assets and \$1,813,983 is restricted for various purposes. Consequently, the Township's unrestricted net position is \$152,868, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$616,456, which represents 133 percent of the actual total General Fund expenditures for the fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and a schedule of bond retirement and annual interest requirements. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public works and public safety, were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2017 and 2016 is also presented.

Government-wide financial statements

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

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

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

The government-wide financial statements present governmental activities. All of the Township's basic services are included here, such as general government, public works, etc. Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

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

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and other revenues.

The Township has one type of fund:

- *Governmental funds.* The Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**Net position**

Total net position at the end of the fiscal year was \$5,181,357. However, \$3,214,506 of this total is invested in capital assets and \$1,813,983 is restricted for various purposes. Consequently, the Township has unrestricted net position of \$152,868.

Condensed financial information
Net position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,714,985	\$ 2,564,564
Capital assets	<u>3,453,846</u>	<u>3,549,650</u>
Total assets	<u>6,168,831</u>	<u>6,114,214</u>
Deferred outflows of resources	<u>88,721</u>	<u>124,368</u>
Current and other liabilities	826,195	799,853
Long-term debt	<u>250,000</u>	<u>395,000</u>
Total liabilities	<u>1,076,195</u>	<u>1,194,853</u>
Net position:		
Net investment in capital assets	3,214,506	3,167,441
Restricted	1,813,983	1,768,187
Unrestricted	<u>152,868</u>	<u>108,101</u>
Total net position	<u>\$ 5,181,357</u>	<u>\$ 5,043,729</u>

The 2016 column reflects restated amounts for capital assets and the related net position, net investment in capital assets, as a result of a prior period adjustment recorded in fiscal year 2017. Both amounts were reduced by \$2,675,889, for the effect of correcting the method of accounting used for intangible capital assets.

Changes in net position

The Township's total revenues are \$1,464,861. Approximately 51 percent of the Township's revenues comes from property taxes, while 17 percent comes from charges for services. State shared revenue represents 16 percent of the Township's total revenues.

*Condensed financial information
Changes in net position*

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services	\$ 245,116	\$ 253,578
Operating grants and contributions	21,114	18,029
Capital grants and contributions	158,990	108,928
General revenues:		
Property taxes	752,431	720,079
State shared revenue	237,011	224,096
Franchise fees	37,810	35,788
Unrestricted interest income	12,359	8,884
	<u>1,464,831</u>	<u>1,369,382</u>
Total revenues		
Expenses:		
General government	556,931	544,894
Public safety	68,879	74,158
Public works	569,417	265,775
Health and welfare	-	4,358
Community and economic development	86,292	62,291
Recreation and culture	37,668	34,117
Interest on long-term debt	8,016	8,550
	<u>1,327,203</u>	<u>994,143</u>
Total expenses		
Changes in net position	<u>137,628</u>	<u>375,239</u>
Net position, end of year	<u>\$ 5,181,357</u>	<u>\$ 5,043,729</u>

The 2016 column reflects restated amounts as a result of a prior period adjustment recorded in fiscal year 2017. Public works expenses were decreased by \$182,630 related to the restatement of 2016 balances for the effect of correcting the method of accounting used for intangible capital assets. Public works costs previously capitalized, in the amount of \$148,066 were expensed, and depreciation expense was reduced by \$330,696.

Governmental activities

Governmental activities increased the Township's net position by \$137,628 in the current year compared to a \$375,239 increase in the prior year. The increase in net position was lower this year as expenses increased by \$333,060, though revenues increased by \$95,449.

Revenues increase because capital contributions, related to water and sewer connection fees, increased by \$50,062, as there were more connections to the water and sewer system.

The increase in expenses can be primarily attributed to a \$303,642 increase in public works expenses associated with an increase in the cost of road improvements in the current period.

The total cost of governmental activities this year was \$1,327,203. After subtracting the direct charges to those who directly benefited from the programs (\$245,116) and operating and capital grants (\$180,104), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$901,983.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,338,077, an increase of \$199,192 in comparison to the prior year.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, its fund balance was \$619,980, which represents a decrease of \$64,368. Fund balance was reduced primarily due to transfers to other funds, in the amount of \$157,832, that were used to establish new capital project funds.

The Road Fund experienced an increase in fund balance of \$101,872. Revenues, primarily property taxes, were sufficient to cover all expenditures (\$462,946) incurred during the current year. At the end of the fiscal year, fund balance was \$1,072,244, which is restricted for future road projects.

The Sewer Debt Fund experienced an increase in fund balance of \$32,700. Assessments and connection fees are being used to pay ongoing debt service costs on a single bond issue, with payments due through 2022. At the end of the fiscal year, fund balance was \$243,015, which is restricted for debt service expenditures.

The Water Capital Fund experienced a decrease in fund balance of \$17,166. Assessments and connection fees were used to pay ongoing debt service costs on two bond issues, which were retired during the current fiscal year. At the end of the fiscal year, fund balance was \$105,142, which is restricted for future water system improvements.

General Fund budgetary highlights

The Township amended the General Fund budget during the year to account for previously unanticipated revenues and expenditures and to reallocate appropriations among activities. Total budgeted revenues were increased by \$31,723, primarily because property tax revenues were higher than expected, as taxable values increased. Total appropriations were increased by \$30,206, mainly to increase general government and community and economic development expenditures to reflect higher than anticipated operational costs.

Total actual revenues were \$36,094 higher than budgeted, primarily because license and permit revenues were \$19,653 higher than anticipated, as inspection activities exceeded expectations. Total expenditures were \$55,853 lower than the amounts appropriated, primarily because general government expenditures were \$31,299 less than expected. These variances resulted in a \$91,947 positive budget variance, with a \$64,368 decrease in fund balance compared to a budgeted decrease in fund balance of \$156,315.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets as of June 30, 2017, amounts to \$3,453,846 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and sewer and water systems. This amount represents a decrease of \$95,804, comprised of the current provision for depreciation. There were no additions in the current fiscal year.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At year end, the Township's long-term debt totaled \$250,000, which consists of a bond issue that is secured by special assessments on benefited properties. During the fiscal year ending June 30, 2017, the Township made the required principal payments totaling \$145,000.

Other long-term obligations of the governmental activities include a judgment payable, with a balance of \$15,000, related to an agreement between the Township and the City of the Village of Douglas. The Township also recognized a net pension liability, associated with its defined benefit pension plan, in the amount of \$665,372.

More detailed information about the Township's long-term obligations is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

The Township's economic outlook mirrors the State of Michigan, and the economy as a whole, in projecting revenues and expenditures. Because the economy is flat and construction activity is increasing slightly, it is recognized that many desirable projects, which would enhance the quality of life, such as park or other recreational improvements, are not feasible because of limited funds after mandatory and standard operational needs are met.

Road Fund

New construction and heavy maintenance projects are dependent on two extra voted millages. The Township voters have continually renewed these millages, which have allowed the Township Board to resurface and reconstruct more than 27 miles of roadway over the years.

Capital project fund

The Water Capital Fund made the final \$100,000 principal payments to retire two debt issues during the current fiscal year. Along with its fund balance of \$105,142, the Water Capital Fund has deferred inflows of \$5,259 to provide funds for future water system capital improvement costs.

Debt retirement fund

The Sewer Debt Fund is restricted for the retirement of bonds, with a principal balance of \$250,000, which are to be paid off in 2022. Along with its fund balance of \$243,015, the Sewer Debt Fund has deferred inflows of \$223,326 to provide funds for debt service costs totaling \$268,175.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Saugatuck
Aaron Sheridan, Township Manager
3461 Blue Star Highway
Saugatuck, MI 49453

Phone: (269) 857-7721

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 2,429,970
Receivables	<u>116,690</u>
Total current assets	<u>2,546,660</u>
Noncurrent assets:	
Receivables	168,325
Capital assets not being depreciated - land	215,057
Capital assets, net of accumulated depreciation	<u>3,238,789</u>
Total noncurrent assets	<u>3,622,171</u>
Total assets	<u>6,168,831</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on bond refunding, net	10,660
Deferred amounts - pension	<u>78,061</u>
Total deferred outflows of resources	<u>88,721</u>
LIABILITIES	
Current liabilities:	
Payables	117,220
Deposits	6,603
Judgment payable	15,000
Bonds payable	<u>50,000</u>
Total current liabilities	<u>188,823</u>
Noncurrent liabilities:	
Unearned revenue	22,000
Bonds payable	200,000
Net pension liability	<u>665,372</u>
Total noncurrent liabilities	<u>887,372</u>
Total liabilities	<u>1,076,195</u>
NET POSITION	
Net investment in capital assets	3,214,506
Restricted for:	
General government	158,973
Public works	1,072,244
Capital projects	108,666
Debt service	474,100
Unrestricted	<u>152,868</u>
Total net position	<u>\$ 5,181,357</u>

See notes to financial statements

Township of Saugatuck

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		<u>Governmental activities</u>	<u>Net (expenses) revenues and change in net position</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>			<u>Capital grants and contributions</u>
Governmental activities:						
General government	\$ 556,931	\$ 133,862	\$ 13,882	\$ -	\$ (409,187)	
Public safety	68,879	87,042	-	-	18,163	
Public works	569,417	9,163	7,232	158,867	(394,155)	
Community and economic development	86,292	6,205	-	-	(80,087)	
Recreation and culture	37,668	-	-	123	(37,545)	
Interest on long-term debt	8,016	8,844	-	-	828	
 Total governmental activities	<u>\$ 1,327,203</u>	<u>\$ 245,116</u>	<u>\$ 21,114</u>	<u>\$ 158,990</u>	<u>(901,983)</u>	
General revenues:						
					752,431	
					237,011	
					37,810	
					<u>12,359</u>	
					<u>1,039,611</u>	
					137,628	
					<u>5,043,729</u>	
					<u>\$ 5,181,357</u>	

See notes to financial statements

BALANCE SHEET - governmental funds

June 30, 2017

	<u>General</u>	<u>Road</u>	<u>Sewer Debt</u>	<u>Water Capital</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>	
ASSETS							
Cash	\$ 623,973	\$ 1,155,074	\$ 243,813	\$ 104,292	\$ 302,818	\$ 2,429,970	
Receivables	50,755	-	223,326	7,034	-	281,115	
Total assets	<u>\$ 674,728</u>	<u>\$ 1,155,074</u>	<u>\$ 467,139</u>	<u>\$ 111,326</u>	<u>\$ 302,818</u>	<u>\$ 2,711,085</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Payables	\$ 26,145	\$ 82,830	\$ 798	\$ 925	\$ 5,122	\$ 115,820	
Customer deposits	6,603	-	-	-	-	6,603	
Unearned revenue	22,000	-	-	-	-	22,000	
Total liabilities	<u>54,748</u>	<u>82,830</u>	<u>798</u>	<u>925</u>	<u>5,122</u>	<u>144,423</u>	
Deferred inflows of resources:							
Unavailable special assessment revenue	-	-	223,326	5,259	-	228,585	
Fund balances:							
Restricted for:							
General government - cemetery expenditures	-	-	-	-	158,973	158,973	
Public works	-	1,072,244	-	-	-	1,072,244	
Capital projects	3,524	-	-	105,142	-	108,666	
Debt service	-	-	243,015	-	-	243,015	
Assigned for:							
Capital acquisitions	-	-	-	-	138,723	138,723	
Unassigned	616,456	-	-	-	-	616,456	
Total fund balances	<u>619,980</u>	<u>1,072,244</u>	<u>243,015</u>	<u>105,142</u>	<u>297,696</u>	<u>2,338,077</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 674,728</u>	<u>\$ 1,155,074</u>	<u>\$ 467,139</u>	<u>\$ 111,326</u>	<u>\$ 302,818</u>	<u>\$ 2,711,085</u>	
Reconciliation of the balance sheet to the statement of net position:							
Total fund balance - total governmental funds						\$ 2,338,077	
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:							
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.							3,453,846
Other long-term assets are not available to pay for current-period expenditures and, therefore, are presented as deferred inflows of resources in the funds.							232,485
Deferred outflows of resources are not reported in the funds:							
Bond refunding						10,660	
Pension plan, related to future years						78,061	
Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.							(1,400)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:							
Bonds payable						(250,000)	
Judgement payable						(15,000)	
Net pension liability						<u>(665,372)</u>	
Net position of <i>governmental activities</i>						<u>\$ 5,181,357</u>	

See notes to financial statements

Township of Saugatuck

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended June 30, 2017

	<u>General</u>	<u>Road</u>	<u>Sewer Debt</u>	<u>Water Capital</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES						
Property taxes	\$234,508	\$ 555,066	\$ -	\$ -	\$ 62,827	\$ 852,401
Licenses and permits	131,393	-	-	-	-	131,393
State grants	241,827	3,079	-	-	345	245,251
Contributions from local units	-	-	-	-	12,874	12,874
Charges for services	21,364	-	39,922	118,945	9,520	189,751
Interest and rentals	4,694	5,218	11,111	440	1,440	22,903
Other	10,303	1,455	59,670	18,304	-	89,732
Total revenues	<u>644,089</u>	<u>564,818</u>	<u>110,703</u>	<u>137,689</u>	<u>87,006</u>	<u>1,544,305</u>
EXPENDITURES						
Current:						
General government	344,669	34,000	24,960	24,960	78,495	507,084
Public safety	68,879	-	-	-	-	68,879
Public works	35,956	428,946	2,168	29,745	-	496,815
Community and economic development	86,292	-	-	-	-	86,292
Recreation and culture	14,469	-	-	-	-	14,469
Capital outlay	360	-	-	-	20,189	20,549
Debt service:						
Principal	-	-	45,000	100,000	-	145,000
Interest	-	-	5,875	150	-	6,025
Total expenditures	<u>550,625</u>	<u>462,946</u>	<u>78,003</u>	<u>154,855</u>	<u>98,684</u>	<u>1,345,113</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>93,464</u>	<u>101,872</u>	<u>32,700</u>	<u>(17,166)</u>	<u>(11,678)</u>	<u>199,192</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	157,832	157,832
Transfers out	<u>(157,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,832)</u>
Net other financing sources (uses)	<u>(157,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,832</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(64,368)</u>	<u>101,872</u>	<u>32,700</u>	<u>(17,166)</u>	<u>146,154</u>	<u>199,192</u>
FUND BALANCES - BEGINNING	<u>684,348</u>	<u>970,372</u>	<u>210,315</u>	<u>122,308</u>	<u>151,542</u>	<u>2,138,885</u>
FUND BALANCES - ENDING	<u>\$619,980</u>	<u>\$1,072,244</u>	<u>\$ 243,015</u>	<u>\$105,142</u>	<u>\$ 297,696</u>	<u>\$ 2,338,077</u>

See notes to financial statements

Township of Saugatuck

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2017

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 14) \$ 199,192

Amounts reported for *governmental activities* in the statement of activities (page 12) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense.

Deduct - depreciation provision (95,804)

Because some special assessments will not be collected until subsequent periods, they are not considered available revenues and are deferred in the governmental funds. Deferred special assessment revenues decreased by this amount this year.

(77,804)

Changes in long-term debt:

Principal payments 145,000

Decrease in judgment payable 15,000

Net increase in net pension liability (10,949)

Changes in other assets/liabilities:

Decrease in accrued interest receivable (1,500)

Decrease in deferred outflows of resources - bond refunding (2,131)

Decrease in accrued interest payable 140

Decrease in deferred outflows of resources related to pension (33,516)

Change in net position of *governmental activities*

\$ 137,628

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Saugatuck, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Township (located in Allegan County), as management has determined that there are no other entities for which the Township is financially accountable.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

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 Township, except those required to be accounted for in another fund.

The Road Fund, a special revenue fund, accounts for financial resources used for the construction and maintenance of roads. Revenues are primarily derived from property taxes.

The Sewer Debt Fund, a debt service fund, accounts for resources accumulated and payments made on long-term debt related to sewer system improvements. Revenues are primarily derived from special assessments and related interest income.

The Water Capital Fund, a capital project fund, accounts for resources to be used for water system improvements. Revenues are primarily derived from special assessments and related interest income.

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

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity:

Cash - Cash is considered to be cash on hand, demand deposits, and time deposits.

Receivables - No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water lines), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$2,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Sewer and water systems	50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Deferred outflows of resources - The statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Township has two items in this category: a deferred amount arising from the refunding of bonds and deferred amounts relating to the pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred amounts relating to the pension plan are discussed in Note 10. No deferred outflows of resources affect the governmental funds financial statements.

Unearned revenue - Unearned revenue is reported in connection with resources that have been received but not yet earned.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The related revenues will not be recognized until a future event occurs. These deferred inflows of resources relate to special assessments, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), and are deferred and recognized as an inflow of resources in the period that the revenue becomes available.

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

Net position flow assumption - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board retains the right to assign fund balance. Unassigned fund balance is the residual classification for all other amounts. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could vary from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no reportable budget variances at year end.

NOTE 3 - CASH

At June 30, 2017, cash consists of the following:

Deposits with financial institutions	\$ 2,429,870
Cash on hand	<u>100</u>
Total cash	<u>\$ 2,429,970</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At June 30, 2017, \$1,931,401 of the Township’s bank balances of \$2,431,401 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of June 30, 2017, for the Township's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Special assessments</u>	<u>Intergovernmental</u>	<u>Totals</u>
General	\$ 9,899	\$ -	\$ 40,856	\$ 50,755
Sewer Debt	-	223,326	-	223,326
Water Capital	-	5,258	1,776	7,034
Totals	<u>\$ 9,899</u>	<u>\$ 228,584</u>	<u>\$ 42,632</u>	<u>\$ 281,115</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 168,325</u>	<u>\$ -</u>	<u>\$ 168,325</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 215,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,057</u>
Capital assets being depreciated:				
Land improvements	631,392	-	-	631,392
Buildings	251,791	-	-	251,791
Equipment	111,594	-	-	111,594
Sewer and water system	<u>3,733,666</u>	<u>-</u>	<u>-</u>	<u>3,733,666</u>
Subtotal	<u>4,728,443</u>	<u>-</u>	<u>-</u>	<u>4,728,443</u>
Less accumulated depreciation for:				
Land improvements	(303,259)	(19,116)	-	(322,375)
Buildings	(102,888)	(7,500)	-	(110,388)
Equipment	(83,874)	(5,761)	-	(89,635)
Sewer and water system	<u>(903,829)</u>	<u>(63,427)</u>	<u>-</u>	<u>(967,256)</u>
Subtotal	<u>(1,393,850)</u>	<u>(95,804)</u>	<u>-</u>	<u>(1,489,654)</u>
Total capital assets being depreciated	<u>3,334,593</u>	<u>(95,804)</u>	<u>-</u>	<u>3,238,789</u>
Governmental activities capital assets, net	<u>\$ 3,549,650</u>	<u>\$ (95,804)</u>	<u>\$ -</u>	<u>\$ 3,453,846</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	\$	19,222
Public works		63,427
Recreation and culture		<u>13,155</u>
Total governmental activities	\$	<u>95,804</u>

NOTE 6 - PAYABLES

Payables as of June 30, 2017, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
General	\$ 24,208	\$ 1,937	\$ 26,145
Road	82,830	-	82,830
Sewer Debt	798	-	798
Water Capital	925	-	925
Nonmajor funds	<u>5,122</u>	<u>-</u>	<u>5,122</u>
Totals	<u>\$ 113,883</u>	<u>\$ 1,937</u>	<u>\$ 115,820</u>

NOTE 7 - LONG-TERM OBLIGATIONS

At June 30, 2017, long-term obligations were comprised of the following individual issues:

Governmental activities:		
Bonds payable:		
\$385,000 2013 Sewer special assessment refunding bonds - payable in annual installments ranging from \$45,000 to \$50,000, plus interest at .70% to 2.9%; final payment due April 2022, secured by assessments and the full faith and credit of the Township		250,000
Judgment payable:		
Settlement agreement with another municipality relating to the division of assets and liabilities pursuant to Michigan Compiled Law 117.14; payable in annual installments of \$15,000 through 2018		<u>15,000</u>
Total long-term obligations		<u>\$ 265,000</u>

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Long-term obligation activity for the year ended June 30, 2017, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Bonds payable:					
1998 Assessment bonds	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
1998 Revenue bonds	50,000	-	(50,000)	-	-
2013 Assessment bonds	<u>295,000</u>	<u>-</u>	<u>(45,000)</u>	<u>250,000</u>	<u>50,000</u>
Total governmental activities	395,000	-	(145,000)	250,000	50,000
2007 Judgment payable	<u>30,000</u>	<u>-</u>	<u>(15,000)</u>	<u>15,000</u>	<u>15,000</u>
Totals	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ (160,000)</u>	<u>\$ 265,000</u>	<u>\$ 65,000</u>

At June 30, 2017, debt service requirements were as follows:

<u>Year ended June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 65,000	\$ 5,424
2019	50,000	4,750
2020	50,000	3,826
2021	50,000	2,724
2022	<u>50,000</u>	<u>1,451</u>
Totals	<u>\$ 265,000</u>	<u>\$ 18,175</u>

NOTE 8 - INTERFUND TRANSFERS

During the year ended June 30, 2017, the General Fund transferred \$157,832 to establish capital project funds (nonmajor funds) which will accumulate resources for future capital acquisitions.

NOTE 9 - JOINT VENTURES AND JOINTLY-GOVERNED ORGANIZATION*Kalamazoo Lake Sewer and Water Authority:*

The Kalamazoo Lake Sewer and Water Authority is a joint venture of the Township, the City of Saugatuck, and the City of the Village of Douglas. The Authority's administrative board consists of five members appointed by each of the three participating units. The Authority was formed to operate, maintain, administer and manage the water and sewerage systems located within the constituent units of government. The Township did not provide support to the Authority in fiscal year 2017. Any infrastructure constructed for the Township, by the Authority, is recorded as infrastructure on the Township's records. Complete audited financial statements for the Authority can be obtained from their offices. The Township has pledged its full faith and credit for its obligation to pay its portion (6.27 percent) of the Authority's debt service under in the event that the Authority is unable to meet its debt service requirements. The Authority's loan balance at February 28, 2017, was \$1,125,090.

NOTE 9 - JOINT VENTURES AND JOINTLY-GOVERNED ORGANIZATION (Continued)

Saugatuck Township Fire District:

The Saugatuck Township Fire District is a joint venture of the Township, the City of Saugatuck, and the City of the Village of Douglas. The District’s administrative board consists of seven members, one at-large member and two members from each of the three participating units. The budget of the District is approved at a joint meeting of the participating units. The Township did not provide support to the District in fiscal year 2017. The District entered into an installment purchase agreement in March, 2017 to purchase a fire truck. The Township has pledged its limited full faith and credit for its obligation to pay a portion of the District’s debt service, under the installment purchase agreement, in the event that the District is unable to meet its debt service requirements. The loan balance at June 30, 2017, is \$161,337.

Interurban Transit Authority:

The Township, in conjunction with the City of Saugatuck and the City of the Village of Douglas, created the Interurban Transit Authority, which is considered a jointly-governed organization. The Authority’s administrative board consists of six members, two members appointed by each of the three participating units. The Township did not provide support to the Authority in fiscal year 2017. The Township does not retain an ongoing financial interest or responsibility in the Authority and is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description:

The Township participates in the Municipal Employees’ Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at www.mersofmich.com.

Benefits provided:

The Township’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries and covers all full-time employees at the Township. Retirement benefits for eligible employees are calculated as 2% of the employee’s three-year final average compensation times the employee’s years of service, with a maximum of 80% of final average compensation. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55, with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Employees are not required to contribute to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Township Board.

Employees covered by benefit terms:

At the December 31, 2016, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>4</u>
Total	<u><u>10</u></u>

Contributions:

The Township is required to contribute amounts at least equal to an actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the Township contributed \$52,497 to the plan, which amounted to 5.50% of covered payroll. Employees are not required to make contributions.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)*Net pension liability:*

The Township's net pension liability reported at June 30, 2017, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2016. The total pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	In the long term
Investment rate of return	7.75%	net of investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

<i>Asset class</i>	<i>Target allocation</i>	<i>Long-term expected real rate of return</i>
Global equity	57.50%	5.02%
Global fixed income	20.00%	2.18%
Real assets	12.50%	4.23%
Diversifying strategies	10.00%	6.56%

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability</i> <i>(a) - (b)</i>
Balances at December 31, 2015	\$ 940,150	\$ 285,727	\$ 654,423
Changes for the year:			
Service cost	19,796	-	19,796
Interest	73,150	-	73,150
Differences between expected actual experience	684		684
Employer contributions	-	51,864	(51,864)
Net investment income	-	31,439	(31,439)
Benefit payments, including refunds	(71,318)	(71,318)	-
Administrative expenses	-	(622)	622
Net changes	<u>22,312</u>	<u>11,363</u>	<u>10,949</u>
Balances at December 31, 2016	<u>\$ 962,462</u>	<u>\$ 297,090</u>	<u>\$ 665,372</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Township, calculated using the discount rate of 8.00%, as well as what the Township's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease</i> <i>(7.00%)</i>	<i>Current rate</i> <i>(8.00%)</i>	<i>1% Increase</i> <i>(9.00%)</i>
Township's net pension liability	<u>\$ 763,364</u>	<u>\$ 665,372</u>	<u>\$ 581,827</u>

Pension plan fiduciary net position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmichigan.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as expense when due and payable in accordance with benefit terms.

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to the pension:

For the fiscal year ended June 30, 2017, the Township recognized pension expense of \$96,469. At June 30, 2017, the Township reported deferred outflows of resources related to the pension plan from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>
Deficit between projected and actual earnings	\$ 12,040
Difference between expected and actual experience	18,178
Difference in assumptions	<u>21,891</u>
	52,109
Contributions made subsequent to the measurement date	<u>25,952</u>
Total	<u>\$ 78,061</u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in fiscal year 2018.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Deferred outflows of resources</u>
2018	24,957
2019	24,958
2020	4,070
2021	<u>(1,876)</u>
Totals	<u>\$ 52,109</u>

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims, relating to commercial insurance, exceeding the amount of insurance coverage in the past three fiscal years are as follows: 2017 - \$15,000, 2016 - \$15,000, 2015 - \$15,000.

NOTE 12 - TAX REVENUE

The 2016 taxable valuation of the Township approximated \$280,595,000, on which ad valorem taxes levied consisted of .4289 mills for operating purposes, 1.9786 mills for road improvements and maintenance, and .2240 mills for cemetery operations, raising approximately \$120,000 for operating purposes, \$555,000 for road improvements and maintenance, and \$63,000 for cemetery operations. These amounts are recognized in the fund financial statements as property tax revenue.

NOTE 13 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended June 30, 2017, is as follows:

Revenues	\$ 73,812
Expenses	<u>89,533</u>
Deficiency of revenues over expenses	<u>\$ (15,721)</u>

NOTE 14 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been recorded in fiscal year 2017 to correct the method of accounting used for intangible capital assets that resulted in a restatement of opening net position of governmental activities. Net position, as of June 30, 2016, included in the government-wide financial statements, represents a restated balance as presented below.

	<u>Net position</u> <u>Governmental</u> <u>activities</u>
Beginning of year, as previously reported	\$ 7,719,618
Prior period adjustment - overstatement of intangible capital assets	<u>(2,675,889)</u>
Beginning of year, as restated	<u>\$ 5,043,729</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Saugatuck

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended June 30, 2017

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 212,747	\$ 234,908	\$ 234,508	\$ (400)
Licenses and permits	106,625	111,740	131,393	19,653
State grants	227,400	227,400	241,827	14,427
Charges for services	17,800	18,559	21,364	2,805
Interest	3,200	5,095	4,694	(401)
Other	8,500	10,293	10,303	10
Total revenues	<u>576,272</u>	<u>607,995</u>	<u>644,089</u>	<u>36,094</u>
EXPENDITURES				
General government	362,566	375,968	344,669	31,299
Public safety	78,070	81,366	68,879	12,487
Public works	34,900	36,539	35,956	583
Community and economic development	75,536	91,855	86,292	5,563
Recreation and culture	17,700	17,000	14,469	2,531
Capital outlay	7,500	3,750	360	3,390
Total expenditures	<u>576,272</u>	<u>606,478</u>	<u>550,625</u>	<u>55,853</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1,517	93,464	91,947
OTHER FINANCING USES				
Transfers out	-	(157,832)	(157,832)	-
NET CHANGES IN FUND BALANCES	-	(156,315)	(64,368)	91,947
FUND BALANCES - BEGINNING	<u>684,348</u>	<u>684,348</u>	<u>684,348</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 684,348</u>	<u>\$ 528,033</u>	<u>\$ 619,980</u>	<u>\$ 91,947</u>

Township of Saugatuck

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended June 30, 2017

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 510,000	\$ 558,012	\$ 555,066	\$ (2,946)
State grant	-	-	3,079	3,079
Interest	200	200	5,218	5,018
Other	-	1,455	1,455	-
Total revenues	<u>510,200</u>	<u>559,667</u>	<u>564,818</u>	<u>5,151</u>
EXPENDITURES				
General government	34,000	34,000	34,000	-
Public works	476,000	559,111	428,946	130,165
Total expenditures	<u>510,000</u>	<u>593,111</u>	<u>462,946</u>	<u>130,165</u>
NET CHANGES IN FUND BALANCES	200	(33,444)	101,872	135,316
FUND BALANCES - BEGINNING	<u>970,372</u>	<u>970,372</u>	<u>970,372</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 970,572</u>	<u>\$ 936,928</u>	<u>\$ 1,072,244</u>	<u>\$ 135,316</u>

Township of Saugatuck

SCHEDULE OF CHANGES IN THE TOWNSHIP'S NET PENSION LIABILITY AND RELATED RATIOS

Year ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 19,796	\$ 20,085	\$ 17,840
Interest	73,150	67,347	65,750
Difference between expected and actual experience	684	35,331	-
Changes in assumptions	-	43,781	-
Benefit payments, including refunds	<u>(71,318)</u>	<u>(65,363)</u>	<u>(65,363)</u>
Net change in total pension liability	22,312	101,181	18,227
Total pension liability, beginning of year	<u>940,150</u>	<u>838,969</u>	<u>820,742</u>
Total pension liability, end of year	<u>\$ 962,462</u>	<u>\$ 940,150</u>	<u>\$ 838,969</u>
Plan fiduciary net position:			
Contributions - employer	\$ 51,864	\$ 52,306	\$ 47,144
Net investment income (loss)	31,439	(4,388)	18,766
Benefit payments, including refunds	(71,318)	(65,363)	(65,363)
Administrative expenses	<u>(622)</u>	<u>(653)</u>	<u>(686)</u>
Net change in plan fiduciary net position	11,363	(18,098)	(139)
Plan fiduciary net position, beginning of year	<u>285,727</u>	<u>303,825</u>	<u>303,964</u>
Plan fiduciary net position, end of year	<u>\$ 297,090</u>	<u>\$ 285,727</u>	<u>\$ 303,825</u>
Township's net pension liability, end of year	<u>\$ 665,372</u>	<u>\$ 654,423</u>	<u>\$ 535,144</u>
Plan fiduciary net position as a percent of total pension liability	30.87%	30.39%	36.21%
Covered payroll	\$ 216,302	\$ 204,364	\$ 198,571
Township's net pension liability as a percentage of covered payroll	307.61%	320.22%	269.50%

Note: This schedule is being built prospectively after the implementation of GASB 68 in fiscal year 2015. Ultimately, ten years of data will be presented.

Township of Saugatuck

SCHEDULE OF TOWNSHIP PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contributions	\$ 52,497	\$ 52,452	\$ 50,909	\$ 45,574	\$ 39,473	\$ 41,803	\$ 41,429	\$ 44,847	\$ 40,144	\$ 46,836
Contributions in relation to the actuarially determined contributions	<u>52,497</u>	<u>52,452</u>	<u>50,909</u>	<u>45,574</u>	<u>39,473</u>	<u>41,803</u>	<u>41,429</u>	<u>44,847</u>	<u>40,144</u>	<u>46,836</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 216,302</u>	<u>\$ 204,364</u>	<u>\$ 198,571</u>	<u>\$ 176,085</u>	<u>\$ 233,378</u>	<u>\$ 197,317</u>	<u>\$ 195,256</u>	<u>\$ 189,563</u>	<u>\$ 187,106</u>	<u>\$ 175,829</u>
Contributions as a percentage of covered payroll	24.27%	25.67%	25.64%	25.88%	16.91%	21.19%	21.22%	23.66%	21.46%	26.64%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry-age normal cost

Amortization method Level percentage of payroll, open

Remaining amortization period 22 years

Asset valuation method 5-year smoothed market

Inflation 2.50%

Salary increases 3.75%

Investment rate of return 7.75%, net of investment and administrative expenses, including inflation

Retirement age Normal retirement age is 60 years

Mortality 50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

SUPPLEMENTARY INFORMATION

Township of Saugatuck

COMBINING BALANCE SHEET - nonmajor governmental funds

June 30, 2017

	<u>Special revenue</u>	<u>Capital projects</u>		
	<u>Cemetery</u>	<u>Capital Project</u>	<u>Park Project</u>	<u>Totals</u>
ASSETS				
Cash	\$ 163,119	\$ 48,590	\$ 91,109	\$ 302,818
LIABILITIES AND FUND BALANCES				
Payables	\$ 4,146	\$ -	\$ 976	\$ 5,122
Fund balances:				
Restricted:				
General government - cemetery	158,973	-	-	158,973
Assigned:				
Capital acquisitions	-	48,590	90,133	138,723
Total fund balances	<u>158,973</u>	<u>48,590</u>	<u>90,133</u>	<u>297,696</u>
Total liabilities and fund balances	<u>\$ 163,119</u>	<u>\$ 48,590</u>	<u>\$ 91,109</u>	<u>\$ 302,818</u>

Township of Saugatuck

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2017

	<i>Special revenue</i>	<i>Capital projects</i>		<i>Totals</i>
	<i>Cemetery</i>	<i>Capital Project</i>	<i>Park Project</i>	
REVENUES				
Property taxes	\$ 62,827	\$ -	\$ -	\$ 62,827
State grants	345	-	-	345
Contributions from local units	12,874	-	-	12,874
Charges for services	9,520	-	-	9,520
Interest	1,160	103	177	1,440
Total revenues	<u>86,726</u>	<u>103</u>	<u>177</u>	<u>87,006</u>
EXPENDITURES				
Current:				
General government	78,495	-	-	78,495
Capital outlay	800	9,345	10,044	20,189
Total expenditures	<u>79,295</u>	<u>9,345</u>	<u>10,044</u>	<u>98,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,431	(9,242)	(9,867)	(11,678)
OTHER FINANCING SOURCES				
Transfer in - General Fund	-	57,832	100,000	157,832
NET CHANGES IN FUND BALANCES	7,431	48,590	90,133	146,154
FUND BALANCES - BEGINNING	<u>151,542</u>	<u>-</u>	<u>-</u>	<u>151,542</u>
FUND BALANCES - ENDING	<u>\$ 158,973</u>	<u>\$ 48,590</u>	<u>\$ 90,133</u>	<u>\$ 297,696</u>

Township of Saugatuck

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$385,000 2013 SEWER SPECIAL ASSESSMENT REFUNDING BONDS**

June 30, 2017

<u>Fiscal period</u>	<u>Interest requirements</u>		<u>Maturity date</u>	<u>Principal</u>	<u>Total requirements</u>
	<u>October 1</u>	<u>April 1</u>			
2018	\$ 2,712	\$ 2,712	4/01/17	\$ 50,000	\$ 55,424
2019	2,375	2,375	4/01/18	50,000	54,750
2020	1,913	1,913	4/01/19	50,000	53,826
2021	1,363	1,362	4/01/20	50,000	52,725
2022	725	725	4/01/21	50,000	51,450
	<u>\$ 9,088</u>	<u>\$ 9,087</u>		<u>\$ 250,000</u>	<u>\$ 268,175</u>