

Township of Dorr
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2018

DRAFT

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Dorr, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the 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 a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan, as of March 31, 2018, 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.

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, 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 Dorr, Michigan's basic financial statements. The combining nonmajor governmental funds, the agency funds, and the component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds, the agency funds, and the component unit fund financial statements (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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of the Township of Dorr, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Dorr's internal control over financial reporting and compliance.

Siegfried Crandall P.C.

September 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

Our discussion and analysis of the Township of Dorr's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2018. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$150,522 as a result of this year's activities.
- Of the \$5,293,542 total net position reported, \$1,575,246 is available to be used to meet the Township's ongoing obligations to its citizens, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance is \$1,123,022, representing 98 percent of the actual General Fund expenditures for the current 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 and statements concerning the component unit. 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 government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The 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 2018 and 2017 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. 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 are divided into two categories:

- *Governmental activities* - All of the Township's basic services are included here, such as public safety, public works, debt service and general government. Property taxes, assessments, and state grants finance most of these activities.
- *Component unit* - The Township includes one other entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for it.

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 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 other revenues.

The Township has two types of funds:

- *Governmental funds*. All of 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.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$5,293,542. Of this total, \$2,513,991 represents a net investment in capital assets and \$1,204,305 is restricted for various purposes. The remaining net position, in the amount of \$1,575,246, is unrestricted.

Condensed financial information
Net position

	<i>Governmental activities</i>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 3,085,869	\$ 3,565,719
Capital assets	<u>3,794,991</u>	<u>3,300,742</u>
Total assets	<u>6,880,860</u>	6,866,461
Current and other liabilities	<u>119,234</u>	120,231
Long-term debt	<u>1,468,084</u>	1,603,210
Total liabilities	<u>1,587,318</u>	1,723,441
Net position:		
Net investment in capital assets	2,513,991	1,928,602
Restricted	1,204,305	1,635,491
Unrestricted	<u>1,575,246</u>	<u>1,578,927</u>
Total net position	<u>\$ 5,293,542</u>	<u>\$ 5,143,020</u>

Changes in net position

The Township's total revenues were \$2,352,076. Property taxes and state grants provided about 45 percent and 26 percent, respectively, of the Township's revenues, while charges for services represented 20 percent.

The total cost of the Township's programs totaled \$2,201,554. About 25 percent of the Township's costs relates to the provision of general government services. Public safety expenses account for 19 percent, public works expenses account for 41 percent, and recreation and culture expenses are 11 percent of the total.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	2018	2017
Program revenues:		
Charges for services	\$ 468,868	\$ 392,539
Operating grants and contributions	65,977	86,250
Capital grants and contributions	73,364	67,090
General revenues:		
Property taxes	1,049,121	1,022,434
State shared revenue	608,062	595,672
Franchise fees	46,624	45,598
Shared casino revenue	35,075	30,177
Interest income	4,985	3,063
Other	-	16,356
Total revenues	2,352,076	2,259,179
Expenses:		
General government	549,386	565,212
Public safety	421,338	341,945
Public works	896,370	255,787
Health and welfare	15,145	14,883
Community and economic development	7,046	7,119
Recreation and culture	249,987	260,839
Interest	62,282	62,596
Total expenses	2,201,554	1,508,381
Changes in net position	\$ 150,522	\$ 750,798
Net position, end of year	\$ 5,293,542	\$ 5,143,020

Governmental activities

The Township's net position increased by \$150,522 in the current year, compared to a \$750,798 increase last year. The increase in net position was much higher in the prior year as voters approved two new millages for roads and fire equipment, and a relatively small amount of those tax revenues was spent in the prior year. The increase is lower in the current year as expenses increased by \$693,173, though revenues increased by \$92,897. The increase in revenues was primarily due to a \$76,329 increase in charges for services, mostly related to an increase in code inspection fees. The increase in expenses was primarily related to a \$640,583 increase in public works costs, associated with substantial road maintenance costs in the current year.

The total cost of governmental activities this year was \$2,201,554 compared to \$1,508,381 in the prior year. After subtracting the direct charges to those who directly benefited from the programs (\$468,868) and operating and capital grants (\$139,341), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues in the current year was \$1,593,345.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**Governmental funds**

The Township's governmental funds reported combined ending fund balances of \$2,606,255, a decrease of \$431,583 compared to the prior year.

The General Fund is the primary operating fund of the Township. The ending fund balance was \$1,151,130, an increase of \$59,582 from the prior year. Fund balance increased, as revenues of \$1,192,312 and insurance proceeds of \$58,364 were sufficient to cover expenditures of \$1,144,094 and transfers to other funds of \$47,000.

The Road Fund, a special revenue fund, has been established to accumulate resources for road maintenance. The ending fund balance was \$846,327, an increase of \$15,241, as revenues of \$694,033 exceeded the fund's expenditures of \$678,792 in the current year.

The Fire Equipment Fund is a capital projects fund, which accounts for a voter-approved tax millage levied for the acquisition of fire equipment. The ending fund balance was \$54,535, a decrease of \$441,458, as expenditures of \$556,630, related to the purchase of a new fire truck, exceeded the fund's revenues of \$115,172 in the current year.

The Capital Improvement Fund, a capital project fund, accounts for public improvements in the Township. The ending fund balance was \$165,590, a decrease of \$96,994, as expenditures of \$103,857 exceeded the fund's revenues of \$6,863 in the current year. Most of the expenditures related to improvements at North Park.

The Sewer #4 Debt Fund, a debt service fund, accounts for special assessments used to repay long-term debt for sewer improvements and does not carry a fund balance, as all assessment principal and interest revenues, totaling \$55,269, were expended to reduce the Township's long-term debt.

The Sewer #5 Debt Fund, another debt service fund, accounts for assessments used to repay debt for certain sewer improvements. The fund collected \$67,534 in assessment principal and interest. After subtracting debt service expenditures totaling \$70,620, the resulting fund balance decrease for the fiscal year was \$3,086. The Fund's restricted fund balance totaled \$121,977 at the end of the fiscal year.

General Fund budgetary highlights

The Township amended both the revenue and expenditure portions of the budget to reflect anticipated changes in the nature and extent of revenues and expenditures. Total revenues were increased by \$90,000, primarily to increase license and permit revenues, as code inspection fees were higher than anticipated. Total expenditures were increased by \$82,570, with the largest increase affecting public safety expenditures to increase code inspection costs.

Actual revenues were \$32,112 more than budgeted, primarily because license and permit revenues were \$15,335 more than budgeted, as building activity exceeded expectations. Total expenditures were \$488 more than the amounts appropriated, with the largest variance in the recreation and culture, in the amount of \$42,561, as repair costs were not included in the budget.

As a result of these variances, along with a \$58,364 positive variance associated with net other financing sources, the net positive budget variance for the year amounted to \$89,988, with a \$59,582 increase in fund balance compared to a budget that anticipated a \$30,406 decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's net investment in capital assets for its governmental activities at March 31, 2018, amounts to \$3,794,991 (net of accumulated depreciation). This investment includes land, buildings, equipment, and sewer infrastructure. The net increase in the Township's capital assets for the current fiscal year was \$494,249, as asset acquisitions of \$736,093 exceeded depreciation expense of \$241,844.

Major capital asset additions during the year included:

- A fire truck was purchased for \$556,630
- Constructed a pavilion at North Park at a cost of \$85,871
- A new roof was added to the library at a cost of \$49,750
- New air conditioning units were added to the library building at a cost of \$11,649

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

Debt

At the end of the fiscal year, the Township had \$1,468,084 in long-term debt outstanding, which is secured by specific revenue sources, including special assessments carried in the Township's two debt service funds and contributions by the component unit (Downtown Development Authority). Debt was reduced by principal payments, in the amount of \$135,126, during the year. No new debt was issued.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's 2019 fiscal year budget does not anticipate significant changes in the amounts or composition of its major revenue sources. The Township has budgeted expenditures for the upcoming year at amounts sufficient to support its ongoing programs and activities, while maintaining the current levels of its resources.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances 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:

Jeff Miling, Township Supervisor
Township of Dorr
4196 18th Street
Dorr, MI 49323

Phone: (616) 681-9874

BASIC FINANCIAL STATEMENTS

DRAFT

STATEMENT OF NET POSITION

March 31, 2018

	<i>Primary government</i>	<i>Component unit</i>
	<i>Governmental activities</i>	<i>Downtown Development Authority</i>
ASSETS		
Current assets:		
Cash	\$ 2,498,890	\$ 332,817
Receivables	229,581	-
Prepaid expenses	22,087	-
Total current assets	<u>2,750,558</u>	<u>332,817</u>
Noncurrent assets:		
Receivables	335,311	-
Capital assets not being depreciated - land	592,389	131,047
Capital assets, net of accumulated depreciation	<u>3,202,602</u>	<u>4,310</u>
Total noncurrent assets	<u>4,130,302</u>	<u>135,357</u>
Total assets	<u>6,880,860</u>	<u>468,174</u>
LIABILITIES		
Current liabilities:		
Payables	119,234	8,159
Bonds, contract, and note payable	<u>57,846</u>	<u>-</u>
Total current liabilities	177,080	8,159
Noncurrent liabilities - bonds, contract, and note payable	<u>1,410,238</u>	<u>-</u>
Total liabilities	<u>1,587,318</u>	<u>8,159</u>
NET POSITION		
Net investment in capital assets	2,513,991	135,357
Restricted for:		
Public safety	6,021	-
Public works	865,810	-
Capital acquisitions	54,535	-
Debt service	277,939	-
Unrestricted	<u>1,575,246</u>	<u>324,658</u>
Total net position	<u>\$ 5,293,542</u>	<u>\$ 460,015</u>

See notes to financial statements

Year ended March 31, 2018

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Township of Dorr

BALANCE SHEET - governmental funds

March 31, 2018

	Special revenue fund	
	General	Roads
ASSETS		
Cash	\$ 983,351	\$ 822,799
Receivables	148,530	23,528
Due from other funds	86,707	-
Prepaid expenditures	22,087	-
Total assets	<u>\$ 1,240,675</u>	<u>\$ 846,327</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities - payables	\$ 68,918	\$ -
Due to other funds	3,293	-
Total liabilities	<u>72,211</u>	<u>-</u>
Deferred inflows of resources:		
Unavailable special assessment revenue	-	-
Unavailable casino revenue	17,334	-
Unavailable interest revenue	-	-
Total deferred inflows of resources	<u>17,334</u>	<u>-</u>
Fund balances:		
Nonspendable - prepaids	22,087	-
Restricted for:		
Public safety	6,021	-
Public works	-	846,327
Capital acquisitions	-	-
Debt service	-	-
Assigned for:		
Recreation and culture	-	-
Capital acquisitions	-	-
Unassigned	1,123,022	-
Total fund balances	<u>1,151,130</u>	<u>846,327</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,240,675</u>	<u>\$ 846,327</u>

<i>Capital projects funds</i>		<i>Debt service funds</i>		<i>Nonmajor funds</i>	<i>Total governmental funds</i>
<i>Fire Equipment</i>	<i>Public Improvement</i>	<i>Sewer #4 Debt</i>	<i>Sewer #5 Debt</i>		
\$ 51,067	\$ 267,409	\$ -	\$ 113,115	\$ 261,149	2,498,890
3,468	-	197,187	179,569	12,610	564,892
-	-	-	3,293	-	90,000
-	-	-	-	-	22,087
<u>\$ 54,535</u>	<u>\$ 267,409</u>	<u>\$ 197,187</u>	<u>\$ 295,977</u>	<u>\$ 273,759</u>	<u>\$ 3,175,869</u>
\$ -	\$ 15,112	\$ 13,041	\$ -	\$ 7,063	\$ 104,134
-	86,707	-	-	-	90,000
-	101,819	13,041	-	7,063	194,134
-	-	177,885	172,000	-	349,885
-	-	-	-	-	17,334
-	-	6,261	2,000	-	8,261
-	-	184,146	174,000	-	375,480
-	-	-	-	-	22,087
-	-	-	-	-	6,021
-	-	-	-	19,483	865,810
54,535	-	-	-	-	54,535
-	-	-	121,977	-	121,977
-	-	-	-	247,213	247,213
-	165,590	-	-	-	165,590
-	-	-	-	-	1,123,022
<u>54,535</u>	<u>165,590</u>	<u>-</u>	<u>121,977</u>	<u>266,696</u>	<u>2,606,255</u>
<u>\$ 54,535</u>	<u>\$ 267,409</u>	<u>\$ 197,187</u>	<u>\$ 295,977</u>	<u>\$ 273,759</u>	<u>\$ 3,175,869</u>

See notes to financial statements

BALANCE SHEET - governmental funds (Continued)March 31, 2018

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds (page 13) \$ 2,606,255

Amounts reported for *governmental activities* in the statement of net position (page 11) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 3,794,991

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 375,480

Interest payable not due and payable in the current period and, therefore, is not reported in the funds. (24,300)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (1,458,884)

Net position of *governmental activities* \$ 5,293,542

Township of Dorr

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

Year ended March 31, 2018

		<i>Special revenue fund</i>	
	<i>General</i>	<i>Roads</i>	
REVENUES			
Property taxes	\$ 254,105	\$ 691,877	
Licenses and permits	188,355	-	
State grants	616,619	-	
Intergovernmental	54,990	-	
Charges for services	28,711	-	
Fines and forfeitures	-	-	
Interest and rentals	43,122	2,156	
Other	6,410	-	
Total revenues	1,192,312	694,033	
EXPENDITURES			
Current:			
General government	498,221	-	
Public safety	331,177	-	
Public works	79,101	678,792	
Health and welfare	15,145	-	
Community and economic development	7,046	-	
Recreation and culture	106,391	-	
Capital outlay	33,994	-	
Debt service:			
Principal	72,140	-	
Interest	879	-	
Total expenditures	1,144,094	678,792	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	48,218	15,241	
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	58,364	-	
Transfers in	-	-	
Transfers out	(47,000)	-	
Net other financing sources	11,364	-	
NET CHANGES IN FUND BALANCES	59,582	15,241	
FUND BALANCES - BEGINNING	1,091,548	831,086	
FUND BALANCES - ENDING	\$ 1,151,130	\$ 846,327	

<i>Capital projects funds</i>		<i>Debt service funds</i>		<i>Nonmajor funds</i>	<i>Total governmental funds</i>
<i>Fire Equipment</i>	<i>Public Improvement</i>	<i>Sewer #4 Debt</i>	<i>Sewer #5 Debt</i>		
\$ 114,136	\$ -	\$ -	\$ -	\$ 69,088	\$ 1,129,206
-	-	-	-	-	188,355
-	-	-	-	7,957	624,576
-	-	-	-	-	54,990
-	-	-	-	-	28,711
-	-	-	-	52,517	52,517
1,036	664	11,283	47,158	445	105,864
-	6,199	43,986	20,376	81,292	158,263
<u>115,172</u>	<u>6,863</u>	<u>55,269</u>	<u>67,534</u>	<u>211,299</u>	<u>2,342,482</u>
-	-	-	-	-	498,221
-	-	-	-	-	331,177
-	-	-	-	63,146	821,039
-	-	-	-	-	15,145
-	-	-	-	-	7,046
-	-	-	-	160,021	266,412
556,630	103,857	-	-	-	694,481
-	-	43,986	19,000	-	135,126
-	-	11,283	51,620	-	63,782
<u>556,630</u>	<u>103,857</u>	<u>55,269</u>	<u>70,620</u>	<u>223,167</u>	<u>2,832,429</u>
<u>(441,458)</u>	<u>(96,994)</u>	<u>-</u>	<u>(3,086)</u>	<u>(11,868)</u>	<u>(489,947)</u>
-	-	-	-	-	58,364
-	-	-	-	47,000	47,000
-	-	-	-	-	(47,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,000</u>	<u>58,364</u>
(441,458)	(96,994)	-	(3,086)	35,132	(431,583)
<u>495,993</u>	<u>262,584</u>	<u>-</u>	<u>125,063</u>	<u>231,564</u>	<u>3,037,838</u>
<u>\$ 54,535</u>	<u>\$ 165,590</u>	<u>\$ -</u>	<u>\$ 121,977</u>	<u>\$ 266,696</u>	<u>\$ 2,606,255</u>

See notes to financial statements

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

Year ended March 31, 2018

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 15) \$ (431,583)

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

Capital assets:

Additions	736,093
Depreciation	(241,844)

Long-term debt:

Principal payments	135,126
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Changes in deferred inflows of resources:

Net decrease in unavailable special assessment revenue	(49,363)
Net increase in unavailable casino revenue	2,074
Net decrease in unavailable interest revenue	1,500

Changes in other assets/liabilities:

Net decrease in accrued interest expense	(1,481)
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Change in net position of <i>governmental activities</i>	\$ <u>150,522</u>
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Dorr, 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 the Township (the primary government, located in Allegan County) and its component unit described below, for which the Township is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit - Dorr Downtown Development Authority:

The Dorr Township Downtown Development Authority (the Authority) meets the criteria of a component unit, as it is fiscally dependent on the Township because the Township Board appoints the Authority's governing body and approves its budget. The Township is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Township. Fiscal dependence and the financial burden relationship make the Township financially accountable for the Authority and require the Township to report it in its financial statements. Separate financial statements for the Authority have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation.

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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 and the fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Measurement focus, basis of accounting, and financial statement presentation (continued):*

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 year, is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

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. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund, a special revenue fund, accounts for the accumulation of financial resources to be used for road maintenance. Revenues are primarily derived from voter approved property taxes.

The Capital Improvement Fund, a capital project fund, accounts for the accumulation of financial resources used to public improvements in the Township. Revenues are primarily derived from transfers from the General Fund and public donations.

The Fire Equipment Fund, a capital project fund, accounts for the accumulation of financial resources used to make capital acquisitions for the fire department. Revenues are primarily derived from voter approved property taxes.

The Sewer #4 Debt Fund, a debt service fund, accounts for financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Sewer #5 Debt Fund, a debt service fund, accounts for financial resources used for the payment of long-term debt. Revenues are derived from special assessments and contributions from the component unit.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports two fiduciary funds (Agency Fund and Tax Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, deferred inflows of resources, and net position or equity:*

Cash - Cash is considered to be cash on hand, demand deposits, and highly-liquid short-term investments with original maturities of three months or less from the date of acquisition.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements and fund financial statements.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., sewer and water systems and similar items), 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 \$1,000 (\$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 April 1, 2004.

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

Buildings and improvements	20 - 50 years
Land improvements	20 - 50 years
Equipment	5 - 10 years
Vehicles	10 - 20 years
Infrastructure	40 years

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 net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has three items that are included in this category: special assessments, casino revenue, and interest. These items, which are not recognized until available (collected not later than 60 days after the end of the Township's fiscal year), are deferred and recognized as inflows of resources in the period that the revenues become available.

Net position - Net position represents the difference between assets, 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 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 buyers of the Township's debt. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Township Board of Trustees retains the right to assign fund balance. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. It is the Township's policy to recognize revenue from the tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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 differ 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 activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Primary government:</i>					
General	Public safety	Code inspections	\$ 125,000	\$ 141,372	\$ 16,372
	Public works	Drains	18,500	22,987	4,487
	Recreation and culture	Library	29,335	76,461	47,126
<i>Downtown Development Authority:</i>					
General	Public works	Public works	84,100	93,603	9,503

NOTE 3 - CASH

The Township's cash was reported in the basic financial statements as follows:

	<i>Governmental activities</i>	<i>Component unit</i>	<i>Totals</i>
Cash	\$ 2,498,890	\$ 332,817	\$ 2,831,707

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 March 31, 2018, portions of the Township's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized as follows:

	<i>Bank balances</i>	<i>Uninsured</i>
Primary government	\$ 2,552,282	\$ 392,913
Component unit	332,817	-

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2018, for the Township's individual major funds and nonmajor funds, were as follows.

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assess- ments</i>	<i>Interest</i>	<i>Inter- govern- mental</i>	<i>Totals</i>
Primary government:						
Governmental:						
General	\$ 28,550	\$ 7,119	\$ -	\$ -	\$ 112,861	\$ 148,530
Roads	-	20,967	-	2,156	405	23,528
Fire Equipment	-	3,468	-	-	-	3,468
Sewer #4 Debt	-	-	187,084	10,103	-	197,187
Sewer #5 Debt	-	-	173,284	6,285	-	179,569
Nonmajor	-	4,476	-	-	8,134	12,610
Total governmental	\$ 28,550	\$ 36,030	\$ 360,368	\$ 18,544	\$ 121,400	\$ 564,892
Noncurrent portion	\$ -	\$ -	\$ 335,311	\$ -	\$ -	\$ 335,311

All receivables are due within one year and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Primary government:				
Governmental activities:				
Capital assets not being depreciated - land	\$ 592,389	\$ -	\$ -	\$ 592,389
Capital assets being depreciated:				
Buildings	1,275,497	147,270	-	1,422,767
Land improvements	511,546	15,316	-	526,862
Equipment	748,653	7,632	-	756,285
Vehicles	1,306,523	556,630	-	1,863,153
Library circulation materials	174,866	9,245	(16,048)	168,063
Infrastructure	1,444,835	-	-	1,444,835
Subtotal	5,461,920	736,093	(16,048)	6,181,965
Less accumulated depreciation for:				
Buildings	(567,258)	(28,894)	-	(596,152)
Land improvements	(217,517)	(24,960)	-	(242,477)
Equipment	(492,671)	(39,042)	-	(531,713)
Vehicles	(877,306)	(60,362)	-	(937,668)
Library circulation materials	(93,122)	(16,344)	16,048	(93,418)
Infrastructure	(505,693)	(72,242)	-	(577,935)
Subtotal	(2,753,567)	(241,844)	16,048	(2,979,363)
Total capital assets being depreciated, net	2,708,353	494,249	-	3,202,602
Primary government, governmental activities capital assets, net	\$ 3,300,742	\$ 494,249	\$ -	\$ 3,794,991
Component unit:				
Capital assets not being depreciated - land	\$ 131,047	\$ -	\$ -	\$ 131,047
Capital assets being depreciated - land improvements	6,632	-	-	6,632
Less accumulated depreciation for - land improvements	(1,990)	(332)	-	(2,322)
Total capital assets being depreciated, net	4,642	(332)	-	4,310
Component unit capital assets, net	\$ 135,689	\$ (332)	\$ -	\$ 135,357

NOTE 5 - CAPITAL ASSETS (Continued)

Sometimes, the Township records capitalizable costs, within current expenditure functions, for purposes of administrative control. In fiscal year 2018, the Township included capitalizable costs of \$70,644 in recreation and culture expenditures, in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 15).

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

	<i>Governmental activities</i>	<i>Component unit</i>
General government	\$ 42,616	\$ -
Public safety	72,883	-
Public works	75,331	332
Recreation and culture	51,014	-
Totals	<u>\$ 241,844</u>	<u>\$ 332</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2018, for the Township's (primary government only) individual major funds and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Intergovern- mental</i>	<i>Totals</i>
Governmental:				
General	\$ 41,999	\$ 4,090	\$ 22,829	\$ 68,918
Public Improvement	15,112	-	-	15,112
Sewer #4 Debt	-	-	13,041	13,041
Nonmajor	7,063	-	-	7,063
Total governmental	<u>\$ 64,174</u>	<u>\$ 4,090</u>	<u>\$ 35,870</u>	<u>\$ 104,134</u>

NOTE 7 - LONG-TERM DEBT

At March 31, 2018, long-term debt was comprised of the following individual issues:

Governmental activities:

Bonds payable:

\$301,000 2010 USDA Special assessment bonds, due in annual installments of \$3,000 to \$56,000 through 2051, plus interest at 4% \$ 276,000

\$1,098,000 2010 USDA Local development bonds, due in annual installments of \$12,000 to \$200,000 through 2051, plus interest at 4% 1,005,000

Total bonds payable 1,281,000

Contract payable:

\$905,000 2005 Sewer assessment, due in annual installments of \$46,166 to \$35,191 through 2024, with interest at 5.2% 187,084

Total governmental activities \$ 1,468,084

Long-term debt activity for the year ended March 31, 2018, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
2010 Special assessment bonds	\$ 280,000	\$ -	\$ (4,000)	\$ 276,000	\$ 4,000
2010 Local development bonds	1,020,000	-	(15,000)	1,005,000	15,000
2005 Sewer assessment contract	231,070	-	(43,986)	187,084	38,846
2013 Installment purchase agreement	<u>72,140</u>	<u>-</u>	<u>(72,140)</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,603,210</u>	<u>\$ -</u>	<u>\$ (135,126)</u>	<u>\$ 1,468,084</u>	<u>\$ 57,846</u>

NOTE 7 - LONG-TERM DEBT (Continued)

Debt service requirements at March 31, 2018, were as follows:

<i>Year ended March 31:</i>	<i>Principal</i>	<i>Interest</i>
2019	\$ 57,844	\$ 60,111
2020	49,648	57,788
2021	50,648	55,427
2022	51,648	53,025
2023	52,648	50,583
2024 - 2028	157,648	224,382
2029 - 2033	154,000	194,640
2034 - 2038	189,000	160,500
2039 - 2043	229,000	118,860
2044 - 2048	280,000	68,000
2049 - 2051	<u>196,000</u>	<u>11,960</u>
Totals	<u>\$ 1,468,084</u>	<u>\$ 1,055,276</u>

NOTE 8 - PROPERTY TAX REVENUES

The 2017 taxable valuation of the Township approximated \$235,893,000, on which ad valorem taxes levied consisted of 0.7489 mills for operating purposes, 2.9844 mills for roads, 0.4974 mills for fire equipment, and 0.2980 mills for library services, raising approximately \$176,000 for operating purposes, \$703,000 for roads, \$116,000 for fire equipment, and \$70,000 for library services. These amounts are recognized in the respective fund financial statements as property tax revenue.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Township provides pension benefits for all of its employees, except election workers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township and employees are each required to contribute 6% of every qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township and employees made required contributions of \$21,460 and \$15,113, respectively. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended March 31, 2018, is as follows:

Cumulative excess of revenues, beginning of year	<u>\$ -</u>
Revenues	\$ 138,967
Expenses	<u>141,372</u>
Deficiency of revenues over expenses	<u>\$ (2,405)</u>
Cumulative excess of revenues, end of year	<u>\$ -</u>

NOTE 11 - INTERFUND BALANCES AND TRANSFER

During fiscal year 2018, the General Fund paid for certain costs of the Public Improvement Fund, in the amount of \$86,707. The Public Improvement Fund is expected to repay the General Fund in the subsequent year. The General Fund owes the Sewer #5 Fund \$3,293 for an item that was incorrectly deposited in the General Fund in a prior year.

During fiscal year 2018, the General Fund transferred \$47,000 to the Library Fund, which represents the Township's budgeted annual operating subsidy to support library operations.

NOTE 12 - TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNIT

During the year ended March 31, 2018, the following transaction between the primary government and its sole component unit, Dorr Township Downtown Development Authority (the Authority), was recorded:

The Authority contributed \$55,500 to the primary government's Sewer #5 Debt Service Fund to partially support the fund's current year debt service requirements.

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

The Township, together with the Township of Leighton, established a joint wastewater treatment authority (Dorr Township - Leighton Township Waste Water Authority) under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township is contingently liable for \$1,446,708 of the Authority's outstanding bonds payable, a portion of which is to be repaid from collections of special assessments levied against properties within the Township. The contract payable, which equals the outstanding assessment balances, is included in the Township's governmental activities debt. Separate financial statements of the Authority are available at the Township office.

NOTE 14 - 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 have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 252,300	\$ 252,300	\$ 254,105	\$ 1,805
Licenses and permits	118,000	173,000	188,355	15,355
State grants	567,400	602,400	616,619	14,219
Intergovernmental	59,000	59,000	54,990	(4,010)
Charges for services	31,500	31,500	28,711	(2,789)
Interest and rentals	34,000	34,000	43,122	9,122
Other	8,000	8,000	6,410	(1,590)
Total revenues	1,070,200	1,160,200	1,192,312	32,112
EXPENDITURES				
General government:				
Legislative	16,197	16,397	14,978	1,419
Supervisor	29,617	29,817	27,678	2,139
Elections	12,240	6,740	5,610	1,130
Assessor	74,982	78,982	76,867	2,115
Clerk	41,787	40,662	34,042	6,620
Treasurer	40,571	39,571	37,314	2,257
Hall and grounds	123,672	123,272	120,220	3,052
Cemetery	12,060	12,060	10,823	1,237
Other	169,560	197,060	170,689	26,371
Total general government	520,686	544,561	498,221	46,340
Public safety:				
Police protection	88,400	88,400	88,535	(135)
Fire department	120,310	110,780	101,270	9,510
Code inspections	70,000	125,000	141,372	(16,372)
Total public safety	278,710	324,180	331,177	(6,997)
Public works:				
Recycling	59,000	59,000	54,990	4,010
Drains	18,500	18,500	22,987	(4,487)
Street lighting	100	100	1,124	(1,024)
Total public works	77,600	77,600	79,101	(1,501)

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Health and welfare - ambulance	\$ 16,000	\$ 16,000	\$ 15,145	\$ 855
Community and economic development - planning and zoning	7,210	7,210	7,046	164
Recreation and culture:				
Parks and recreation	30,495	34,495	29,930	4,565
Library	17,335	29,335	76,461	(47,126)
Total recreation and culture	47,830	63,830	106,391	(42,561)
Capital outlay	45,000	36,725	33,994	2,731
Debt service:				
Principal	66,000	72,500	72,140	360
Interest	2,000	1,000	879	121
Total expenditures	1,061,036	1,143,606	1,144,094	(488)
EXCESS OF REVENUES OVER EXPENDITURES	9,164	16,594	48,218	31,624
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	58,364	58,364
Transfers out	(47,000)	(47,000)	(47,000)	-
Net other financing sources (uses)	(47,000)	(47,000)	11,364	58,364
NET CHANGES IN FUND BALANCES	(37,836)	(30,406)	59,582	89,988
FUND BALANCES - BEGINNING	1,091,548	1,091,548	1,091,548	-
FUND BALANCES - ENDING	<u>\$ 1,053,712</u>	<u>\$ 1,061,142</u>	<u>\$ 1,151,130</u>	<u>\$ 89,988</u>

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended March 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 694,000	\$ 694,000	\$ 691,877	\$ (2,123)
Interest	<u>-</u>	<u>-</u>	<u>2,156</u>	<u>2,156</u>
Total revenues	694,000	694,000	694,033	33
EXPENDITURES				
Public works	<u>732,000</u>	<u>732,000</u>	<u>678,792</u>	<u>53,208</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,000)	(38,000)	15,241	53,241
FUND BALANCES - BEGINNING	<u>831,086</u>	<u>831,086</u>	<u>831,086</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 793,086</u>	<u>\$ 793,086</u>	<u>\$ 846,327</u>	<u>\$ 53,241</u>

SUPPLEMENTARY INFORMATION

DRAFT

COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2018

	<u>Special revenue funds</u>		
	<u>Street Lighting</u>	<u>Library</u>	<u>Totals</u>
ASSETS			
Cash	\$ 17,623	\$ 243,526	\$ 261,149
Receivables	<u>2,383</u>	<u>10,227</u>	<u>12,610</u>
Total assets	<u>\$ 20,006</u>	<u>\$ 253,753</u>	<u>\$ 273,759</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	<u>\$ 523</u>	<u>\$ 6,540</u>	<u>\$ 7,063</u>
Fund balances:			
Restricted for public works	19,483		19,483
Assigned for recreation and culture	<u>-</u>	<u>247,213</u>	<u>247,213</u>
Total fund balance	<u>19,483</u>	<u>247,213</u>	<u>266,696</u>
Total liabilities and fund balances	<u>\$ 20,006</u>	<u>\$ 253,753</u>	<u>\$ 273,759</u>

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

Year ended March 31, 2018

	<u>Special revenue funds</u>		
	<u>Street Lighting</u>	<u>Library</u>	<u>Totals</u>
REVENUES			
Property taxes	\$ -	\$ 69,088	\$ 69,088
State grants	-	7,957	7,957
Fines and forfeitures	-	52,517	52,517
Interest	-	445	445
Other:			
Assessments	64,247	-	64,247
Miscellaneous	-	17,045	17,045
	<u>64,247</u>	<u>147,052</u>	<u>211,299</u>
Total revenues			
	<u>64,247</u>	<u>147,052</u>	<u>211,299</u>
EXPENDITURES			
Current - public works			
Public works	63,146	-	63,146
Recreation and culture	-	160,021	160,021
	<u>63,146</u>	<u>160,021</u>	<u>223,167</u>
Total expenditures			
	<u>63,146</u>	<u>160,021</u>	<u>223,167</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,101	(12,969)	(11,868)
OTHER FINANCING SOURCES			
Transfers in	-	47,000	47,000
	<u>-</u>	<u>47,000</u>	<u>47,000</u>
NET CHANGES IN FUND BALANCES	1,101	34,031	35,132
FUND BALANCES - BEGINNING	<u>18,382</u>	<u>213,182</u>	<u>231,564</u>
FUND BALANCES - ENDING	<u>\$ 19,483</u>	<u>\$ 247,213</u>	<u>\$ 266,696</u>

ASSETS

Cash	\$ 332,817
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LIABILITIES AND FUND BALANCE

Liabilities - payables	\$ 8,159
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Fund balance	324,658
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Total liabilities and fund balance	\$ 332,817
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Fund balance	\$ 324,658
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Amounts reported for the *component unit* in the statement of net position (page 11) are different because:

Capital assets used are not financial resources and, therefore, are not reported in the fund.

135,357

Net position of the *component unit*

\$ 460,015

Township of Dorr

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND

BALANCE - *Downtown Development Authority*

Year ended March 31, 2018

REVENUES

Property tax captures	\$ 39,261
Charges for services	35,690
Interest income	<u>3,580</u>
Total revenues	78,531

EXPENDITURES

Current - public works	<u>93,603</u>
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NET CHANGE IN FUND BALANCE (15,072)

FUND BALANCE - BEGINNING 339,730

FUND BALANCE - ENDING \$ 324,658

Net change in fund balance \$ (15,072)

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

Capital assets:
Depreciation (332)

Change in net position of *component unit* \$ (15,404)

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority

Year ended March 31, 2018

	<i>Original and final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES			
Property taxes	\$ 49,455	\$ 39,261	\$ (10,194)
Charges for services	-	35,690	35,690
Interest	-	3,580	3,580
Other	17,500	-	(17,500)
Total revenues	66,955	78,531	11,576
EXPENDITURES			
Public works	84,100	93,603	(9,503)
NET CHANGES IN FUND BALANCES	(17,145)	(15,072)	2,073
FUND BALANCES - BEGINNING	339,730	339,730	-
FUND BALANCES - ENDING	<u>\$ 322,585</u>	<u>\$ 324,658</u>	<u>\$ 2,073</u>

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

Board of Trustees
Township of Dorr, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Dorr, Michigan (the Township), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described below, we have identified deficiencies in internal control that we consider to be material weaknesses.

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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. We consider the following deficiencies in the Township of Dorr's internal control to be material weaknesses.

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct cash balances
- Accrue receivables at year end
- Adjust property tax revenues and receivables at year end
- Reclassify special assessment collections and correct the related receivable and deferred inflow balances
- Correct prepaid insurance
- Accrue payables at year end
- Correct interfund balances
- Correct balances of the Tax Agency Fund
- Convert the fund-based data necessary to prepare the government-wide financial statements.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. This is a repeat finding.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Cash account reconciliations:

Condition and criteria: Policies and procedures for cash account reconciliations do not effectively assure that reconciling items are identified and resolved so that accurate reconciliations are completed in a timely manner. This is a repeat finding.

Effect: Cash account reconciliations were not completed in a timely manner due to unidentified differences between bank activities and general ledger transaction postings.

Cause: Policies and procedures have not been implemented to promptly identify and compare all bank activity and general ledger transactions and to make necessary changes and corrections in a timely manner.

Auditor's Recommendation: We recommend that procedures be established to promptly identify all differences between bank account activity and general ledger transactions to ensure that all reconciling items, and any accounting errors, are addressed and corrected in a timely manner.

Management Response: Procedures are being implemented to properly identify all reconciling items and to make any needed corrections in a timely manner.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

Township's Response to Findings

The Township's responses to the findings identified above were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Township'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.

Siegfried Crandall P.C.

September 25, 2018