

Fruitland Township  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

March 31, 2019



**Fruitland Township  
White River Light Station Museum**

Fruitland Township

**TABLE OF CONTENTS**

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements

    Government-wide Financial Statements

        Statement of Net Position..... 9

        Statement of Activities ..... 10

    Fund Financial Statements

        Governmental Funds

            Balance Sheet..... 11

            Reconciliation of the Governmental Funds

                Balance Sheet to the Statement of Net Position..... 12

                Statement of Revenues, Expenditures and Changes

                    in Fund Balances..... 13

                Reconciliation of the Governmental Funds Statement of

                    Revenues, Expenditures and Changes in Fund Balances

                        to the Statement of Activities..... 14

                Statement of Fiduciary Assets and Liabilities..... 15

        Notes to Financial Statements ..... 16

Required Supplementary Information

    Budgetary Comparison Schedule—General Fund..... 25

**INDEPENDENT AUDITOR’S REPORT**

Township Board  
Fruitland Township  
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of and for the year ended March 31, 2019, and the notes to financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ 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.

Township Board  
Fruitland Township  
Page 2

**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 major fund, and the aggregate remaining fund information of Fruitland Township, Michigan, as of March 31, 2019, 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 schedules on pages 3 through 8 and 25 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.



Muskegon, Michigan  
July 15, 2019

As management of Fruitland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2019. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

**FINANCIAL HIGHLIGHT**

The General Fund fund balance increased \$150,288.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The Township does not currently have any business-type activities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Fruitland Township maintains one governmental fund, the General Fund.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide Statement of Net Position for the Township. As stated earlier, net position may be used as an indicator of a government's financial health. As of March 31, 2019, the Township's net position from governmental activities totaled \$2,837,309.

Current assets and current liabilities decreased as the Township paid off an accrued legal settlement from the end of the prior year. Capital assets decreased as depreciation expense exceeded current year capital additions.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities depicts a balance of \$1,867,109. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Position**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 2,018,657	\$ 2,028,341
Capital assets	<u>843,176</u>	<u>868,124</u>
Total assets	2,861,833	2,896,465
Current liabilities	<u>24,524</u>	<u>159,605</u>
Net position		
Net investment in capital assets	843,176	868,124
Restricted	127,024	121,363
Unrestricted	<u>1,867,109</u>	<u>1,747,373</u>
Total net position	<u>\$ 2,837,309</u>	<u>\$ 2,736,860</u>

**Governmental Activities**

Net position of the Township's governmental activities increased by \$100,449 (3.7%) during the 2019 fiscal year. The following table shows these results.

Charges for services increased due to additional permitting due to more building and improvement activity in the Township. Capital grants and contributions decreased as there was a new road improvement assessment in the prior year. Miscellaneous revenues decreased due to the sale of Township property in the prior year. General government expenses decreased as a lawsuit was settled in the prior year. Public works expenses fluctuate depending on the amount of road improvements performed during a year. In addition, some drain work was performed in the public works department in the current year. The following table depicts these occurrences.

**Change in Net Position**

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues		
Charges for services	\$ 246,336	\$ 248,140
Operating grants and contributions	11,902	12,790
Capital grants and contributions	2,358	93,223
General revenues		
Property taxes	376,195	356,655
Franchise fees	43,216	43,005
Grants and contributions not restricted	472,190	453,084
Unrestricted investments earnings	11,652	3,353
Miscellaneous	13,744	94,192
Total revenues	1,177,593	1,304,442
Expenses:		
General government	480,101	595,789
Public safety	156,980	154,334
Public works	367,004	287,047
Community and economic development	24,706	23,643
Culture and recreation	48,353	42,219
Total expenses	1,077,144	1,103,032
Change in net position	100,449	201,410
Net position - Beginning	2,736,860	2,535,450
Net position - Ending	\$ 2,837,309	\$ 2,736,860

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Fruitland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$1,970,682, an increase of \$150,288. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 115% of the General Fund's expenditures (92% in the prior year).

At the end of the 2019 fiscal year, the Township's General Fund reported unassigned fund balance of \$1,213,961. The remainder of the fund balance is nonspendable for prepaid items or restricted for right-of-way improvements of \$50,263, public works utilities of \$71,061, White River Light Station preservation and maintenance of \$5,000, and Township hall improvements of \$700. In addition, the Township Board has committed \$576,831 for road construction and maintenance and \$50,729 for equipment replacement.

### General Fund Budget

During the current fiscal year, the Township made the following significant budget amendments:

- The property taxes revenues budget was increased by \$52,578 due to higher than anticipated property tax revenues.
- The licenses and permits revenues budget was increased by \$53,887 due to additional building and other mechanical permit activity.
- The intergovernmental revenues – State budget was increased by \$44,957 due to higher than anticipated state revenue sharing.
- The charges for services revenues budget was increased by \$9,289.
- The other revenues budget was increased by \$11,983.
- The general government – professional services budget was increased by \$23,042 due to legal costs related to an ongoing lawsuit.
- The public works – drains was increased by \$59,296 due to special assessment paid in full by the Township.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Legislative services expenditures was under budget by \$32,270 due to lower than expected legal expenditures.
- Road construction and maintenance was under budget by \$17,316 as the Township's planned improvements were able to be completed at a lower cost than budgeted.

**Capital Assets**

Fruitland Township's investment in capital assets for its governmental activities as of March 31, 2019 totaled \$843,176 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment and vehicles.

During the fiscal year, the Township installed new roof at the township hall for \$22,150, installed a new server for \$4,046 and made a few other minor purchases and improvements.

**Capital Assets**

	Governmental Activities	
	2019	2018
Land	\$ 400,913	\$ 400,913
Buildings and improvements	397,080	413,283
Equipment and vehicles	45,183	53,928
Total	<u>\$ 843,176</u>	<u>\$ 868,124</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

**General Economic Overview**

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. These two sources comprise approximately 70 percent of the General Fund's revenue sources. In fiscal year 2020, the Township is conservatively budgeting no increase in revenue sharing or property tax revenues. No other significant changes are expected for other revenues in fiscal year 2020.

The Township expects General Fund expenditures for operations in fiscal year 2020 to remain consistent with fiscal year 2019. The Township is in the midst of a multi-year road improvement project with the Road Commission. For fiscal year 2020, improvements to portions of Simonelli, Lakewood, Bell, Berquist, Blank, Clark, Dame, and Durham Roads are budgeted. The Township's share of these projects is approximately \$182,000. The Township has also budgeted \$17,500 for playground equipment improvements. No other significant capital improvements are planned at this time.

**Requests for Information**

This financial report is designed to provide a general overview of Fruitland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fruitland Township, 4545 Nestrom Road, Whitehall, MI 49461 (231) 766-3208.

Fruitland Township  
**STATEMENT OF NET POSITION**  
 March 31, 2019

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 1,892,450
Receivables	
Accounts	18
Property taxes	14,711
Special assessments	23,451
Due from other governmental units	85,890
Prepaid items	2,137
Total current assets	<u>2,018,657</u>
Noncurrent assets	
Capital assets, net	
Nondepreciable	400,913
Depreciable	442,263
Total noncurrent assets	<u>843,176</u>
Total assets	<u>2,861,833</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	18,516
Due to other governmental units	6,008
Total liabilities	<u>24,524</u>
<b>NET POSITION</b>	
Net investment in capital assets	843,176
Restricted	
Right-of-way	50,263
Public works - utilities	71,061
White River Light Station preservation and maintenance	5,000
Township Hall capital improvements	700
Unrestricted	1,867,109
Total net position	<u><u>\$ 2,837,309</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2019

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
Governmental activities					
General government	\$ 480,101	\$ 14,764	\$ -	\$ -	\$ (465,337)
Public safety	156,980	140,295	2,960	-	(13,725)
Public works	367,004	74,747	8,860	2,358	(281,039)
Community and economic development	24,706	10,325	-	-	(14,381)
Culture and recreation	48,353	6,205	82	-	(42,066)
Total governmental activities	<b>\$ 1,077,144</b>	<b>\$ 246,336</b>	<b>\$ 11,902</b>	<b>\$ 2,358</b>	(816,548)
General revenues					
Property taxes, levied for general purposes					376,195
Franchise fees					43,216
Grants and contributions not restricted to specific programs					472,190
Unrestricted investment earnings					11,652
Miscellaneous					13,744
Total general revenues					916,997
Change in net position					100,449
Net position at April 1, 2018					2,736,860
Net position at March 31, 2019					<b>\$ 2,837,309</b>

The accompanying notes are an integral part of this statement.

Fruitland Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2019

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,892,450
Receivables	
Accounts	18
Property taxes	14,711
Special assessments	23,451
Due from other governmental units	85,890
Prepaid items	2,137
Total assets	<u><u>\$ 2,018,657</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 18,516
Due to other governmental units	6,008
Total liabilities	<u>24,524</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - special assessments	23,451
<b>FUND BALANCES</b>	
Nonspendable - prepaid items	2,137
Restricted	
Right-of-way	50,263
Public works - utilities	71,061
White River Light Station preservation and maintenance	5,000
Township Hall capital improvements	700
Committed	
Road construction and maintenance	576,831
Equipment replacement	50,729
Unassigned	1,213,961
Total fund balances	<u>1,970,682</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,018,657</u></u>

The accompanying notes are an integral part of this statement.

Fruitland Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 March 31, 2019

Total fund balances—governmental funds \$ 1,970,682

Amounts reported for governmental activities in the Statement of  
 Net Position are different because:

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

Cost of capital assets	\$ 1,355,137	
Accumulated depreciation	<u>(511,961)</u>	843,176

Other long-term assets, such as special assessments receivable, are not  
 available to pay for current period expenditures and, therefore, are  
 reported as unavailable revenues in the governmental funds.

23,451

Net position of governmental activities

**\$ 2,837,309**

The accompanying notes are an integral part of this statement.

Fruitland Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended March 31, 2019

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 376,195
Licenses and permits	186,986
Intergovernmental revenues - State	484,010
Charges for services	100,536
Fines and forfeitures	1,473
Investment earnings	11,652
Other	41,633
Total revenues	1,202,485
<b>EXPENDITURES</b>	
Current	
General government	401,372
Public safety	174,610
Public works	365,829
Community and economic development	24,953
Culture and recreation	41,433
Other governmental functions	15,729
Capital outlay	28,271
Total expenditures	1,052,197
Net change in fund balance	150,288
Fund balance at April 1, 2018	1,820,394
Fund balance at March 31, 2019	<b>\$ 1,970,682</b>

The accompanying notes are an integral part of this statement.

Fruitland Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2019

Net change in fund balance—total governmental funds \$ 150,288

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

Governmental funds report outlays for capital assets as expenditures.  
However, in the Statement of Activities, the cost of these assets  
is allocated over their estimated useful lives and reported as  
depreciation expense.

Depreciation expense	\$ (32,168)	
Capital outlay	<u>28,271</u>	(3,897)

In the Statement of Activities, only the gain or loss on the sale of capital  
assets is reported. However, in the governmental funds, the proceeds  
from the sale increase financial resources. Thus, the change in net  
position differs from the change in fund balance by the remaining  
undepreciated cost of the capital assets sold.

(21,051)

Revenue reported in the Statement of Activities that does not provide  
current financial resources are not reported as revenue in the  
governmental funds.

(24,891)

Change in net position of governmental activities

\$ 100,449

The accompanying notes are an integral part of this statement.

Fruitland Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Fiduciary Funds  
 March 31, 2019

	<u>Escrow Fund</u>	<u>Current Tax Fund</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,294	\$ 181	\$ 1,475
<hr style="border-top: 3px double #000;"/>			
<b>LIABILITIES</b>			
Deposits held for others	\$ 1,294	\$ 181	\$ 1,475
<hr style="border-top: 3px double #000;"/>			

The accompanying notes are an integral part of this statement.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Fruitland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

The Township is a common law township governed by an elected seven-member board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

**Basis of 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. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Township reports the following major governmental fund:

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

Additionally, the Township reports the following fund type:

The Agency funds account for assets held by the Township on behalf of others in a fiduciary capacity.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Measurement Focus and Basis of Accounting—Continued**

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund 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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. 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 government.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Capital Assets***

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Buildings and improvements	15-60
Equipment and vehicles	3-10

***Deferred Outflows/Inflows of Resources***

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

***Net Position Flow Assumption***

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

***Fund Balance Flow Assumptions***

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

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Township itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township’s highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Treasurer or Clerk to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as 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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and lien on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Revenues and Expenditures/Expenses—Continued**

*Property Taxes—Continued*

The 2018 state taxable value for real/personal property of the Township totaled approximately \$279,715,000. The ad valorem taxes levied consisted of .8945 mills for the Township's operating purposes. This amount is recognized in the General Fund.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Deposit and Investment Risks**

*Interest Rate Risk*

The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2019, \$942,096 of the Township's bank balance of \$2,186,044 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2019

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Deposit and Investment Risks—Continued**

***Custodial Credit Risk—Investments***

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

***Foreign Currency Risk***

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

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2019 was as follows:

	<b>Balance April 1, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance March 31, 2019</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 400,913	\$ -	\$ -	\$ 400,913
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	722,271	22,150	76,550	667,871
Equipment and vehicles	283,007	6,121	2,775	286,353
Total capital assets, being depreciated	1,005,278	28,271	79,325	954,224
<b>Less accumulated depreciation:</b>				
Buildings and improvements	308,988	17,302	55,499	270,791
Equipment and vehicles	229,079	14,866	2,775	241,170
Total accumulated depreciation	538,067	32,168	58,274	511,961
Total capital assets, being depreciated, net	467,211	(3,897)	21,051	442,263
Capital assets, net	<b>\$ 868,124</b>	<b>\$ (3,897)</b>	<b>\$ 21,051</b>	<b>\$ 843,176</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

General government	\$ 19,298
Public safety	99
Public works	5,851
Culture and recreation	6,920
	<b>\$ 32,168</b>

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE E—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The County of Muskegon issued a \$4,940,000 Water Supply System Refunding Bond in 2019 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2019 was \$1,235,000, or 25 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$6,550,000 Water Supply System Refunding Bond in 2015 to refund bonds which had been issued to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2019 was \$1,405,200, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

**Commitments**

The Township has various contract agreements for street projects as of March 31, 2019 of approximately \$182,000.

**Jointly Governed Entity**

***White Lake Fire Authority***

The Township, in conjunction with two other governmental entities, created the White Lake Fire Authority. The Authority was formed to jointly provide fire protection and rescue services within the combined service area, which encompasses the participating municipalities. The administrative board of the Authority is comprised of one representative from each participating municipality. No participant has any obligation, entitlement, or residual interest. During the year ended March 31, 2019, the Township contributed a building that had a book value of approximately \$21,000 to the Authority. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Authority (115 S. Baldwin, Whitehall, MI 49461).

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2019

**NOTE F—PENSION PLAN**

**Deferred Compensation Plan**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all board members and full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Under the Plan, the Township contributes 15 percent of qualified employees' annual compensation. For the year ended March 31, 2019, the Township's contribution expense was \$29,920.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

**NOTE G—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 39 percent of General Fund revenues.

**NOTE H—UPCOMING ACCOUNTING PRONOUNCEMENTS**

GASB Statement 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the Township's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

Fruitland Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 319,200	\$ 371,778	\$ 376,195	\$ 4,417
Licenses and permits	132,000	185,887	186,986	1,099
Intergovernmental revenues - State	441,850	486,807	484,010	(2,797)
Charges for services	93,090	102,379	100,536	(1,843)
Fines and forfeitures	300	1,473	1,473	-
Investment earnings	3,838	10,538	11,652	1,114
Other	54,997	66,980	41,633	(25,347)
Total revenues	1,045,275	1,225,842	1,202,485	(23,357)
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	50,726	50,877	51,907	(1,030)
Supervisor	48,181	48,182	47,532	650
Election	15,722	15,722	10,192	5,530
Assessor	44,285	44,570	43,933	637
Clerk	49,633	49,699	49,314	385
Board of review	1,835	1,835	1,010	825
Treasurer	55,966	56,038	55,529	509
Hall and grounds	45,519	46,037	44,896	1,141
Community building	8,456	9,762	6,171	3,591
Township property	19,872	24,050	21,156	2,894
Cemetery	21,462	22,755	22,190	565
Professional services	56,770	79,812	47,542	32,270
Public safety				
Law enforcement	86,591	87,014	85,362	1,652
Building inspections	86,155	87,669	89,248	(1,579)
Public works				
Road construction and maintenance	223,800	224,062	206,746	17,316
Drains	10,666	69,962	69,512	450
Street lighting	18,800	18,800	19,163	(363)
Lake maintenance	1,000	1,000	-	1,000
Sanitation	86,322	86,745	70,408	16,337
Community and economic development				
Planning commission	22,942	23,053	18,180	4,873
Zoning board of appeals	7,230	7,517	6,773	744
Culture and recreation				
Museum	16,551	18,746	15,920	2,826
Parks	30,121	31,342	25,513	5,829
Other governmental functions	25,000	25,000	15,729	9,271
Capital outlay	29,260	30,378	28,271	2,107
Total expenditures	1,062,865	1,160,627	1,052,197	108,430
Net change in fund balances	<u>\$ (17,590)</u>	<u>\$ 65,215</u>	150,288	<u>\$ 85,073</u>
Fund balance at April 1, 2018			1,820,394	
Fund balance at March 31, 2019			<u>\$ 1,970,682</u>	