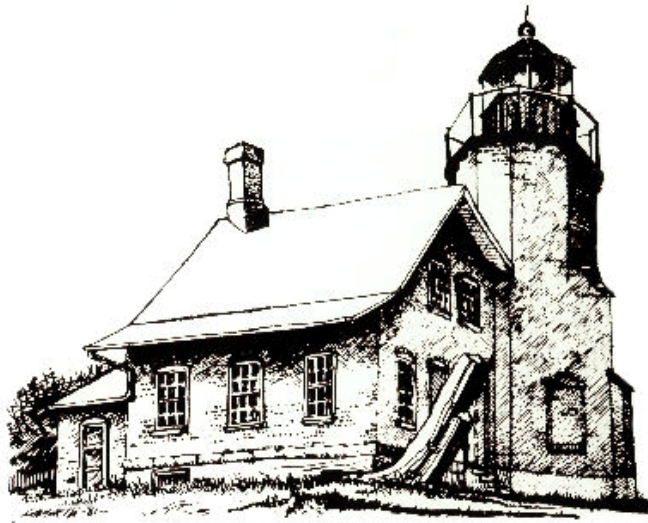


Fruitland Township  
Muskegon County, Michigan

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

March 31, 2017



Fruitland Township  
White River Light Station Museum

Fruitland Township

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**INDEPENDENT AUDITOR'S REPORT**

July 24, 2017

Board of Trustees  
Fruitland Township  
Muskegon, 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, 2017, 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.

Board of Trustees  
Fruitland Township  
July 24, 2017  
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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**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

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, 2017. 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 \$196,433.

**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, 2017, the Township's net position from governmental activities totaled \$2,535,450.

The increase in current assets mirrors the increase in unrestricted net position and is due to limited road improvements and other capital activity during the 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 \$1,546,866. This represents the amount of discretionary resources that can be used for general governmental operations.

**Net Position**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 1,702,849	\$ 1,504,739
Capital assets	<u>873,108</u>	<u>885,280</u>
Total assets	2,575,957	2,390,019
Current liabilities	<u>40,507</u>	<u>38,840</u>
Net position		
Net investment in capital assets	873,108	885,280
Restricted	115,476	111,407
Unrestricted	<u>1,546,866</u>	<u>1,354,492</u>
Total net position	<u>\$ 2,535,450</u>	<u>\$ 2,351,179</u>

**Governmental Activities**

Capital grants and contributions increased due to a new road improvement assessment. Grants and contributions not restricted increased due to additional revenue sharing from the State of Michigan. Public safety expenses increased as the Township now has a full-time PINS officer through Muskegon County. Public works expenses fluctuate depending on the amount of road improvements done during a year. The following table depicts these occurrences.

**Change in Net Position**

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues		
Charges for services	\$ 225,129	\$ 225,918
Operating grants and contributions	12,448	9,739
Capital grants and contributions	14,098	-
General revenues		
Property taxes	351,708	344,721
Franchise fees	41,913	40,336
Grants and contributions not restricted	440,155	416,969
Unrestricted investments earnings	3,311	3,199
Miscellaneous	5,388	6,741
Total revenues	<u>1,094,150</u>	<u>1,047,623</u>
Expenses:		
General government	425,661	422,223
Public safety	140,896	118,321
Public works	286,649	262,639
Community and economic development	24,180	32,824
Culture and recreation	32,493	35,430
Total expenses	<u>909,879</u>	<u>871,437</u>
Change in net position	184,271	176,186
Net position - Beginning	<u>2,351,179</u>	<u>2,174,993</u>
Net position - Ending	<u>\$ 2,535,450</u>	<u>\$ 2,351,179</u>



### 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 \$1,662,342, an increase of \$196,443. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures. Unassigned fund balance represents 95% of the General Fund's expenditures (92% in the prior year).

At the end of the 2017 fiscal year, the Township's General Fund reported unassigned fund balance of \$856,909. The remainder of the fund balance is nonspendable for prepaid items or restricted for right-of-way improvements of \$48,232, public works utilities of \$62,244, and White River Light Station preservation and maintenance of \$5,000. In addition, the Township Board has committed \$680,409 for road construction and maintenance and \$7,540 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 \$16,110 due to higher than anticipated property tax revenues.
- The licenses and permits revenues budget was increased by \$26,556 due to additional building and other mechanical permit activity.
- The intergovernmental revenues – State budget was increased by \$14,627 due to higher than anticipated state revenue sharing.
- The charges for services revenues budget was increased by \$20,013 due to increased transfer station activity.
- The other revenues budget was increased by \$16,403 due to an assessment for the Zellar Road project.
- The public works – sanitation budget was increased by \$7,585 due to an increase in contracted services resulting from the additional activity in the transfer station noted above.

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

- Intergovernmental revenues – State were over budget by \$12,696 due to higher than anticipated revenue sharing.
- Professional services expenditures were under budget by \$21,120 due to lower than anticipated legal fees as no major issues occurred this year.

- Road construction and maintenance expenditures were under budget by \$64,022 as costs for Zellar Road were less than expected and the project was also supported by a special assessment levy.
- Drains expenditures were under budget by \$22,200 as expected drain costs were deferred until future years.
- Capital outlay was under budget by \$48,249 as planned improvements at the Township hall were delayed until next year.

**Capital Assets**

Fruitland Township's investment in capital assets for its governmental activities as of March 31, 2017 totaled \$873,108 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment and vehicles.

During the fiscal year, the Township resurfaced the Township hall parking lot for \$11,000 and made a few other minor purchases and improvements.

**Capital Assets**

	Governmental Activities	
	2017	2016
Land	\$ 400,913	\$ 400,913
Buildings and improvements	416,211	410,719
Equipment and vehicles	55,984	73,648
Total	\$ 873,108	\$ 885,280

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. Those two sources comprise approximately 73 percent of the General Fund's revenue sources. In fiscal year 2018, 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 2018.

The Township expects General Fund expenditures for operations in fiscal year 2018 to remain consistent with fiscal year 2017. The Township is in the midst of a multi-year road improvement project with the Road Commission. For fiscal year 2018, improvements to a portion of Nestrom Road are budgeted. The Township's share of this project is approximately \$35,000. In addition, the Township is planning chip sealing for various roads at a budgeted cost of \$57,000. A new disc golf course is budgeted for approximately \$10,000. Pavilion and other park improvements of approximately \$9,000 are also budgeted. No other significant capital improvements are anticipated in the upcoming fiscal year.

**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, 2017

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 1,610,517
Receivables	
Accounts	650
Property taxes	10,417
Special assessments	1,903
Due from other governmental units	77,354
Prepaid items	2,008
Total current assets	1,702,849
Noncurrent assets	
Capital assets, net	
Nondepreciable	400,913
Depreciable	472,195
Total noncurrent assets	873,108
Total assets	2,575,957
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	9,996
Due to other governmental units	27,626
Unearned revenue - rental income	2,885
Total liabilities	40,507
<b>NET POSITION</b>	
Net investment in capital assets	873,108
Restricted	
Right-of-way	48,232
Public works - utilities	62,244
White River Light Station preservation and maintenance	5,000
Unrestricted	1,546,866
Total net position	\$ 2,535,450

The accompanying notes are an integral part of this statement.

Fruitland Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2017

<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	\$ 425,661	\$ 16,862	\$ -	\$ -	\$ (408,799)
Public safety	140,896	116,602	3,237	-	(21,057)
Public works	286,649	77,959	9,211	13,998	(185,481)
Community and economic development	24,180	7,825	-	-	(16,355)
Culture and recreation	32,493	5,881	-	100	(26,512)
Total governmental activities	<b>\$ 909,879</b>	<b>\$ 225,129</b>	<b>\$ 12,448</b>	<b>\$ 14,098</b>	(658,204)
General revenues					
Property taxes, levied for general purposes					351,708
Franchise fees					41,913
Grants and contributions not restricted to specific programs					440,155
Unrestricted investment earnings					3,311
Miscellaneous					5,388
Total general revenues					<u>842,475</u>
Change in net position					184,271
Net position at April 1, 2016					<u>2,351,179</u>
Net position at March 31, 2017					<u><b>\$ 2,535,450</b></u>

The accompanying notes are an integral part of this statement.

Fruitland Township  
**BALANCE SHEET**  
 Governmental Funds  
 March 31, 2017

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,610,517
Receivables	
Accounts	650
Property taxes	10,417
Special assessments	1,903
Due from other governmental units	77,354
Prepaid items	2,008
Total assets	<b>\$ 1,702,849</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 9,996
Due to other governmental units	27,626
Unearned revenue - rental income	2,885
Total liabilities	40,507
<b>FUND BALANCES</b>	
Nonspendable - prepaid items	2,008
Restricted	
Right-of-way	48,232
Public works - utilities	62,244
White River Light Station preservation and maintenance	5,000
Committed	
Road construction and maintenance	680,409
Equipment replacement	7,540
Unassigned	856,909
Total fund balances	1,662,342
Total liabilities and fund balances	<b>\$ 1,702,849</b>

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, 2017

Total fund balances—governmental funds	\$ 1,662,342
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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	\$ 1,411,475	
Accumulated depreciation	<u>(538,367)</u>	<u>873,108</u>
Net position of governmental activities		<u><b>\$ 2,535,450</b></u>

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, 2017

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 351,708
Licenses and permits	150,464
Intergovernmental revenues - State	452,123
Charges for services	115,926
Fines and forfeitures	211
Investment earnings	3,311
Other	20,407
Total revenues	1,094,150
<b>EXPENDITURES</b>	
Current	
General government	368,781
Public safety	156,444
Public works	283,390
Community and economic development	24,453
Culture and recreation	26,554
Other governmental functions	19,434
Capital outlay	18,651
Total expenditures	897,707
Net change in fund balance	196,443
Fund balance at April 1, 2016	1,465,899
Fund balance at March 31, 2017	<b>\$ 1,662,342</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, 2017

Net change in fund balance—total governmental funds \$ 196,443

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	\$ (30,823)	
Capital outlay	<u>18,651</u>	<u>(12,172)</u>
Change in net position of governmental activities		<u><u>\$ 184,271</u></u>

The accompanying notes are an integral part of this statement.



Fruitland Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Fiduciary Funds  
 March 31, 2017

	<b>Escrow Fund</b>	<b>Current Tax Fund</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 550	\$ 1,200	\$ 1,750
<b>LIABILITIES</b>			
Deposits held for others	\$ 550	\$ 1,200	\$ 1,750

The accompanying notes are an integral part of this statement.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

**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, 2017

**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, 2017

**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	3-10
Vehicles	5-10

***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, 2017

**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 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 liened 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, 2017

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

**Revenues and Expenditures/Expenses—Continued**

*Property Taxes—Continued*

The 2016 state taxable value for real/personal property of the Township totaled approximately \$261,333,000. The ad valorem taxes levied consisted of .904 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, 2017, \$424,342 of the Township's bank balance of \$1,760,511 was exposed to custodial credit risk because it was uninsured.

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
 March 31, 2017

**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, 2017 was as follows:

	<b>Balance April 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance March 31, 2017</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 400,913	\$ -	\$ -	\$ 400,913
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	688,717	18,651	-	707,368
Equipment and vehicles	354,486	-	51,292	303,194
Total capital assets, being depreciated	1,043,203	18,651	51,292	1,010,562
<b>Less accumulated depreciation:</b>				
Buildings and improvements	277,998	13,159	-	291,157
Equipment and vehicles	280,838	17,664	51,292	247,210
Total accumulated depreciation	558,836	30,823	51,292	538,367
Total capital assets, being depreciated, net	484,367	(12,172)	-	472,195
Capital assets, net	<b>\$ 885,280</b>	<b>\$ (12,172)</b>	<b>\$ -</b>	<b>\$ 873,108</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

General government	\$ 15,250
Public safety	1,630
Public works	8,004
Culture and recreation	5,939
	<b>\$ 30,823</b>

Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

**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 \$9,215,000 Water Supply System Bond in 2008 to fund improvements to the Northside Water System which included 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, 2017 was \$1,537,500, 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, 2017 was \$1,518,000, or 24 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future.

**Jointly Governed Entities**

***White Lake Ambulance Authority***

The Township, in conjunction with seven other governmental entities, created the White Lake Ambulance Authority. The Authority was formed to jointly provide emergency medical 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. The Township withdrew from the Authority effective August 1, 2015. The Authority subsequently filed a lawsuit against the Township. The range of potential loss to the Township is \$0 to \$182,620. The Township has recorded a provision of approximately \$24,000. Complete financial statements can be obtained from the Authority (8220 Whitehall Rd., Whitehall, MI 49461).



Fruitland Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2017

**NOTE E—OTHER INFORMATION—Continued**

**Jointly Governed Entities—Continued**

***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, 2017, the Township made no contributions to the Authority. The Township rents certain facilities to the Authority. During the year ended March 31, 2017, the Township received \$11,430 in rental payments. 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).

**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, 2017, the Township's contribution expense was \$27,379.

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 40 percent of General Fund revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

Fruitland Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 335,435	\$ 351,545	\$ 351,708	\$ 163
Licenses and permits	120,125	146,681	150,464	3,783
Intergovernmental revenues - State	424,800	439,427	452,123	12,696
Charges for services	96,593	116,605	115,926	(679)
Fines and forfeitures	700	711	211	(500)
Investment earnings	1,800	2,975	3,311	336
Other	2,318	18,721	20,407	1,686
Total revenues	981,771	1,076,665	1,094,150	17,485
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	47,238	49,944	42,157	7,787
Supervisor	53,506	55,159	52,513	2,646
Election	15,486	15,486	10,030	5,456
Assessor	43,267	43,267	42,872	395
Clerk	49,017	49,029	48,743	286
Board of review	1,835	1,835	1,160	675
Treasurer	55,219	55,289	53,999	1,290
Hall and grounds	41,218	44,725	41,981	2,744
Community building	7,025	9,275	6,160	3,115
Township property	12,922	17,422	14,115	3,307
Cemetery	17,555	19,110	15,816	3,294
Professional services	60,350	60,355	39,235	21,120
Public safety				
Law enforcement	73,330	78,207	77,368	839
Building inspections	77,515	79,579	79,076	503
Public works				
Road construction and maintenance	252,500	253,033	189,010	64,023
Drains	22,650	22,650	450	22,200
Street lighting	18,800	18,800	16,983	1,817
Lake maintenance	1,000	1,000	-	1,000
Sanitation	70,328	77,914	76,947	967
Community and economic development				
Planning commission	28,510	28,510	18,975	9,535
Zoning board of appeals	8,134	8,332	5,478	2,854
Culture and recreation				
Museum	13,105	13,611	11,702	1,909
Parks	15,790	16,566	14,852	1,714
Other governmental functions	25,000	25,000	19,434	5,566
Capital outlay	67,400	66,900	18,651	48,249
Total expenditures	1,078,700	1,110,998	897,707	213,291
Net change in fund balances	<u>\$ (96,929)</u>	<u>\$ (34,333)</u>	196,443	<u>\$ 230,776</u>
Fund balance at April 1, 2016			1,465,899	
Fund balance at March 31, 2017			<u>\$ 1,662,342</u>	