
Township of Ontwa
Cass County, Michigan

FINANCIAL REPORT

March 31, 2017



St. Joseph, MI

TOWNSHIP OF ONTWA
Cass County, Michigan
March 31, 2017

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Government-Wide Statement of Net Position	8
Government-Wide Statement of Activities	9
Governmental Funds Balance Sheet	10
Reconciliation of Governmental Funds Balance Sheet to Government-Wide Statement of Net Position	11
Governmental Funds Statement of Revenues, Expenditures, and Changes In Fund Balance	12
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to Government-Wide Statement of Activities	13
Proprietary Fund Statement of Net Position	14
Proprietary Fund Statement of Revenues, Expenses, and Changes In Net Position	15
Proprietary Fund Statement of Cash Flows	16
Trust and Agency Funds – Statement of Net Position	17
Notes to the Financial Statements	18 - 33
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	34
Budgetary Comparison Schedule – Police Fund	35
Budgetary Comparison Schedule – Fire/Ambulance Fund	36
 OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet—Non-Major Governmental Funds	37
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Non-Major Governmental Funds	38
 MANAGEMENT COMPLIANCE LETTER	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39 - 40
Schedule of Findings and Responses	41 - 48



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Ontwa Township
Cass County, Michigan

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ontwa Township, Michigan, as of and for the year ended March 31, 2017, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ontwa Township, Michigan, as of March 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplementary information, as described in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2017, on our consideration of Ontwa Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ontwa Township, Michigan's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
August 14, 2017

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The Township's combined net position increased 2.6% from a year ago—increasing from \$11,293,611 to \$11,588,865. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of \$88,576 during the year, while the business-type activities experienced an increase in net position of \$206,678.

Overview of the Financial Statements

This report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

Government-wide Statements, Concluded

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

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

The government-wide financial statements of the Township are divided into two categories:

- **Governmental activities**—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer system is included here.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. public safety monies) or to show that it is properly using certain taxes and grants (i.e. special assessment districts).

The Township has the following three kinds of funds:

- **Governmental Funds**—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds**—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds**—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net position was \$11,588,865. In a condensed format the following table below shows a breakdown of net position as of March 31, 2017 and 2016:

At March 31, 2017, unrestricted net position—the part of net position that can be used to finance day to day operations, was \$1,182,331 for the governmental activities. The current level of unrestricted net position for business – type activities stands at \$1,993,587.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 846,957	\$ 512,651	\$ 1,190,049	\$ 854,655	\$ 2,037,006	\$ 1,367,306
Noncurrent Assets	1,237,928	1,227,662	10,902,949	11,823,629	12,140,877	13,051,291
Total Assets	<u>\$ 2,084,885</u>	<u>\$ 1,740,313</u>	<u>\$ 12,092,998</u>	<u>\$ 12,678,284</u>	<u>\$ 14,177,883</u>	<u>\$ 14,418,597</u>
Current Liabilities	\$ 316,383	\$ 60,387	\$ 709,761	\$ 845,893	\$ 1,026,144	\$ 906,280
Noncurrent Liabilities	-	-	1,562,874	2,218,706	1,562,874	2,218,706
Total Liabilities	<u>\$ 316,383</u>	<u>\$ 60,387</u>	<u>\$ 2,272,635</u>	<u>\$ 3,064,599</u>	<u>\$ 2,589,018</u>	<u>\$ 3,124,986</u>
Net Position:						
Net Investment in						
Capital Assets	\$ 582,173	\$ 613,654	\$ 6,129,652	\$ 5,756,584	\$ 6,711,825	\$ 6,370,238
Restricted	3,998	-	1,697,124	2,358,846	1,701,122	2,358,846
Unrestricted	1,182,331	1,066,272	1,993,587	1,498,255	3,175,918	2,564,527
Total Net Position	<u>\$ 1,768,502</u>	<u>\$ 1,679,926</u>	<u>\$ 9,820,363</u>	<u>\$ 9,613,685</u>	<u>\$ 11,588,865</u>	<u>\$ 11,293,611</u>

Financial Analysis of the Township as a Whole, Concluded

The following table shows the change in net position for the years ended March 31, 2017 and 2016:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Program Revenues						
Charges for Services	\$ 84,250	\$ 83,970	\$ 1,189,300	\$ 1,165,841	\$ 1,273,550	\$ 1,249,811
Operating Grants	-	-	294,674	302,983	294,674	302,983
General Revenues						
Property Taxes	1,290,122	1,133,046	-	-	1,290,122	1,133,046
Special Assessments	133,764	35,570	-	-	133,764	35,570
State Shared Revenues	407,799	397,490	-	-	407,799	397,490
Investment Earnings	6,485	6,822	65,949	96,858	72,434	103,680
Franchise Fees	76,467	72,613	-	-	76,467	72,613
Other Revenue	21,010	17,614	-	-	21,010	17,614
Total Revenues	<u>\$ 2,019,897</u>	<u>\$ 1,747,125</u>	<u>\$ 1,549,923</u>	<u>\$ 1,565,682</u>	<u>\$ 3,569,820</u>	<u>\$ 3,312,807</u>
Program Expenses						
General Government	\$ 360,820	\$ 289,954	\$ -	\$ -	\$ 360,820	\$ 289,954
Public Safety	1,363,981	1,195,523	-	-	1,363,981	1,195,523
Public Works	156,797	81,680	-	-	156,797	81,680
Recreation and Culture	3,977	2,525	-	-	3,977	2,525
Community and Economic Development	6,045	16,511	-	-	6,045	16,511
Depreciation (unallocated)	39,701	43,049	-	-	39,701	43,049
Sewer	-	-	1,343,245	1,393,031	1,343,245	1,393,031
Total Expenses	<u>\$ 1,931,321</u>	<u>\$ 1,629,242</u>	<u>\$ 1,343,245</u>	<u>\$ 1,393,031</u>	<u>\$ 3,274,566</u>	<u>\$ 3,022,273</u>
Change in Net Position	<u>\$ 88,576</u>	<u>\$ 117,883</u>	<u>\$ 206,678</u>	<u>\$ 172,651</u>	<u>\$ 295,254</u>	<u>\$ 290,534</u>

Governmental Activities

The Township's total governmental revenues increased \$272,772 from prior year, or 15.6%. The increase was primarily the result of the increase of the fire and ambulance property tax levy and the addition of the Garver Lake Special Assessment District. The Township's total governmental expenses increased \$302,079 from prior year, or 18.5%. This was primarily the result of three changes: 1) general government expenses increased \$70,866 from general increases across accounts, 2) public safety expenses increased \$168,458 driven by the increased fire and ambulance levy which was passed to their respective entities, and 3) public works expenses increased \$75,117 as road repair expenses rebounded from the decrease in fiscal year 2016.

Business-Type Activities

The Township's business-type activities consist of the Sewer Fund. In 2017, total revenues were relatively consistent with the prior year as revenues decreased by \$15,759, or 1.0%. Business-type expenses decreased by \$49,786, or 3.5%, as repairs and maintenance expenses increased \$95,466 which were offset by decreases in other category expenses.

Business-Type Activities, Concluded

The Township is continuing to monitor the sewer activities and reviewing the entire system to ensure it is being run efficiently and most effective for the Township residents.

The Township's Funds

Our analysis of the Township's major funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2017 included the General Fund, Police Fund, Fire/Ambulance Fund, and Sewer Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, public works and other. The most significant is general government, which incurred expenditures of \$369,040 in 2017. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board may amend the budget to take into account events during the year. There were two budget amendments made during 2017.

Capital Asset and Debt Administration

At the end of March 31, 2017, the Township had investment in capital assets for its governmental and business-type activities of \$8,930,531 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and sewer lines. In addition, the Township has invested significantly in roads within the Township. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively, in accordance with GASB Statement No. 34.

During fiscal year 2017, the Township had one capital addition totaling \$8,220. The addition was comprised of township hall improvements for a new awning and signage.

Long-Term Debt

The Township continued to make scheduled payments on its outstanding long-term debt obligations.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates expenditures over revenues in the general fund and the business-type activity funds will attempt to have positive cash flows.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 732,760	\$ 785,650	\$ 1,518,410
Accounts Receivable, Net	75,047	150,403	225,450
Special Assessment Receivables	-	253,996	253,996
Note Receivables, Current	39,150	-	39,150
Total Current Assets	<u>\$ 846,957</u>	<u>\$ 1,190,049</u>	<u>\$ 2,037,006</u>
Noncurrent Assets			
Restricted Cash (SAW Grant)	\$ -	\$ 82,488	\$ 82,488
Restricted Certificate of Deposit	-	814,677	814,677
Special Assessment Receivables, Noncurrent	76,315	545,963	622,278
Certificates of Deposit (Maturity > 90 days)	540,290	1,111,463	1,651,753
Note Receivables, Noncurrent	39,150	-	39,150
Capital Assets, Net	582,173	8,348,358	8,930,531
Total Noncurrent Assets	<u>\$ 1,237,928</u>	<u>\$ 10,902,949</u>	<u>\$ 12,140,877</u>
Total Assets	<u>\$ 2,084,885</u>	<u>\$ 12,092,998</u>	<u>\$ 14,177,883</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 316,383	\$ 12,891	\$ 329,274
Accrued Interest	-	41,038	41,038
Bonds Payable, Current	-	655,832	655,832
Total Current Liabilities	<u>\$ 316,383</u>	<u>\$ 709,761</u>	<u>\$ 1,026,144</u>
Noncurrent Liabilities			
Bonds Payable, Noncurrent	-	1,562,874	1,562,874
Total Liabilities	<u>\$ 316,383</u>	<u>\$ 2,272,635</u>	<u>\$ 2,589,018</u>
Net Position			
Net Investment in Capital Assets	\$ 582,173	\$ 6,129,652	\$ 6,711,825
Restricted	3,998	1,697,124	1,701,122
Unrestricted	1,182,331	1,993,587	3,175,918
Total Net Position	<u>\$ 1,768,502</u>	<u>\$ 9,820,363</u>	<u>\$ 11,588,865</u>

The Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF ONTWA

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Primary Government	
						Business-Type Activities	Total
Primary Government							
General Government	\$ 360,820	\$ 84,250	\$ -	\$ -	\$ (276,570)	\$ -	\$ (276,570)
Public Safety	1,363,981	-	-	-	(1,363,981)	-	(1,363,981)
Public Works	156,797	-	-	-	(156,797)	-	(156,797)
Recreation and Culture	3,977	-	-	-	(3,977)	-	(3,977)
Community and Economic Development	6,045	-	-	-	(6,045)	-	(6,045)
Depreciation (Unallocated)	39,701	-	-	-	(39,701)	-	(39,701)
Total Governmental Activities	\$ 1,931,321	\$ 84,250	\$ -	\$ -	\$ (1,847,071)	\$ -	\$ (1,847,071)
Business-Type Activities							
Sewer Fund	\$ 1,343,245	\$ 1,189,300	\$ 294,674	\$ -	\$ -	\$ 140,729	\$ 140,729
Total Business-Type Activities	\$ 1,343,245	\$ 1,189,300	\$ 294,674	\$ -	\$ -	\$ 140,729	\$ 140,729
Total Primary Government	\$ 3,274,566	\$ 1,273,550	\$ 294,674	\$ -	\$ (1,847,071)	\$ 140,729	\$ (1,706,342)
General Revenues							
Property Taxes					\$ 1,290,122	\$ -	\$ 1,290,122
Special Assessments					133,764	-	133,764
State Shared Revenues					407,799	-	407,799
Franchise Fees					76,467	-	76,467
Investment Earnings					6,485	65,949	72,434
Other Revenue					21,010	-	21,010
Total General Revenues					\$ 1,935,647	\$ 65,949	\$ 2,001,596
Change in Net Position					\$ 88,576	\$ 206,678	\$ 295,254
Net Position-Beginning					1,679,926	9,613,685	11,293,611
Net Position-Ending					\$ 1,768,502	\$ 9,820,363	\$ 11,588,865

The Notes to the Financial Statements are an integral part of this statement.

March 31, 2017

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General	Police Fund	Fire / Ambulance Fund		
Assets					
Cash and Cash Equivalents	\$ 405,431	\$ 107,696	\$ 148,068	\$ 71,565	\$ 732,760
Taxes Receivable	12,159	21,664	29,823	11,401	75,047
Special Assessment Receivable	-	-	-	76,315	76,315
Certificates of Deposit (Maturity > 90 days)	540,290	-	-	-	540,290
Due from Other					
Governmental Funds	18,836	-	-	1,784	20,620
Total Assets	<u>\$ 976,716</u>	<u>\$ 129,360</u>	<u>\$ 177,891</u>	<u>\$ 161,065</u>	<u>\$ 1,445,032</u>
Liabilities					
Accounts Payable	\$ 1,004	\$ 129,360	\$ 177,891	\$ 8,128	\$ 316,383
Due to Other					
Governmental Funds	-	-	-	20,620	20,620
Total Liabilities	<u>\$ 1,004</u>	<u>\$ 129,360</u>	<u>\$ 177,891</u>	<u>\$ 28,748</u>	<u>\$ 337,003</u>
Deferred Inflows of Resources					
Unavailable Revenue:					
Special Assessments	\$ -	\$ -	\$ -	\$ 76,315	\$ 76,315
Fund Balance					
Restricted:					
Special Assessment Districts	\$ -	\$ -	\$ -	\$ 56,002	\$ 56,002
METRO Act	3,998	-	-	-	3,998
Assigned for Budgeted Deficit	10,959	-	-	-	10,959
Unassigned	960,755	-	-	-	960,755
Total Fund Balance	<u>\$ 975,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,002</u>	<u>\$ 1,031,714</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 976,716</u>	<u>\$ 129,360</u>	<u>\$ 177,891</u>	<u>\$ 161,065</u>	<u>\$ 1,445,032</u>

The Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2017**

Total Fund Balances - Governmental Funds \$ 1,031,714

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 582,173

Long-term receivables are not current resources and are not reported in the funds, but are assets in the statement of net position. 78,300

Revenues in the statement of activities that do not provide current financial resources. 76,315

Net Position of Governmental Activities \$ 1,768,502

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2017**

	Major Funds			Non-Major Governmental Funds	Total
	General Fund	Police Fund	Fire/Ambulance Fund		
Revenues					
Tax Revenues	\$ 182,308	\$ 466,455	\$ 466,765	\$ 174,594	\$ 1,290,122
Special Assessments	-	-	-	57,449	57,449
Intergovernmental Revenue from State	407,799	-	-	-	407,799
Fines and Forfeits	16,486	-	-	-	16,486
Licenses and Permits	67,764	-	-	-	67,764
Franchise Fees	76,467	-	-	-	76,467
Interest and Rents	6,368	42	41	34	6,485
Other Revenue	60,161	-	-	-	60,161
Total Revenues	<u>\$ 817,353</u>	<u>\$ 466,497</u>	<u>\$ 466,806</u>	<u>\$ 232,077</u>	<u>\$ 1,982,733</u>
Expenditures					
General Government:					
Legislative	\$ 97,456	\$ -	\$ -	\$ -	\$ 97,456
Chief Executive	92,167	-	-	-	92,167
Treasurer	42,303	-	-	-	42,303
Assessing Equalization	42,368	-	-	-	42,368
Clerk	29,909	-	-	-	29,909
Elections	15,523	-	-	-	15,523
Building and Grounds	42,239	-	-	-	42,239
All Other	7,075	-	-	-	7,075
Public Safety:					
Police	184,067	466,497	-	-	650,564
Ambulance/Fire	1,140	-	466,806	174,594	642,540
Building Inspections	70,877	-	-	-	70,877
Public Works:					
Electric Utilities	8,493	-	-	370	8,863
Roads	88,988	-	-	-	88,988
All Other	9,391	-	-	49,555	58,946
Recreation and Culture:					
Parks and Recreation	3,977	-	-	-	3,977
Community and Economic Development:					
Community Planning and Zoning	6,045	-	-	-	6,045
Total Expenditures	<u>\$ 742,018</u>	<u>\$ 466,497</u>	<u>\$ 466,806</u>	<u>\$ 224,519</u>	<u>\$ 1,899,840</u>
Other Financing Sources (Uses)					
Transfers to/from Other Funds	\$ -	\$ -	\$ -	\$ -	-
Net Change in Fund Balance	\$ 75,335	\$ -	\$ -	\$ 7,558	\$ 82,893
Fund Balance - Beginning of Year	900,377	-	-	48,444	\$ 948,821
Fund Balance - End of Year	<u>\$ 975,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,002</u>	<u>\$ 1,031,714</u>

The Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 82,893

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

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(39,701)
Capital outlay	8,220

Receipt of funds for payment on long-term loans are recorded as other financing sources in the governmental funds, and are not revenues in the statement of activities.	(39,151)
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Revenues in the statement of activities that do not provide current financial resources.	76,315
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Change in Net Position of Governmental Activities \$ 88,576

PROPRIETARY FUND
STATEMENT OF NET POSITION
March 31, 2017

	Sewer Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 785,650
Trade Receivables, Net	150,403
Special Assessments Receivable, Current	253,996
Total Current Assets	\$ 1,190,049
Noncurrent Assets	
Restricted Cash (SAW Grant)	\$ 82,488
Certificates of Deposit > 90 days	1,111,463
Restricted Certificate of Deposit	814,677
Special Assessments Receivable, Noncurrent	545,963
Capital Assets, Net	8,348,358
Total Noncurrent Assets	\$ 10,902,949
Total Assets	\$ 12,092,998
Liabilities	
Current Liabilities	
Accounts Payable	\$ 12,891
Interest Payable	41,038
Contracts Payable, Current	655,832
Total Current Liabilities	\$ 709,761
Noncurrent Liabilities	
Contracts Payable, Noncurrent	1,562,874
Total Liabilities	\$ 2,272,635
Net Position	
Net Investment in Capital Assets	\$ 6,129,652
Restricted	1,697,124
Unrestricted	1,993,587
Total Net Position	\$ 9,820,363

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended March 31, 2017

	Sewer Fund
Operating Revenues	
Charges for Services:	
Flat/Metered Fees	\$ 989,229
Debt Service	140,403
Granger, Indiana	29,814
Other	36,055
Reimbursement of Debt Service Fee to Local Governments:	
Village of Edwardsburg	(48,566)
Mason Township	(11,637)
Hook-up Charges and Other	54,002
SAW Grant Income	294,674
Total Operating Revenues	\$ 1,483,974
Operating Expenses	
Personal Services	\$ 31,840
Professional Fees	2,789
Wastewater Treatment Plant Costs:	
Sewage Processing	341,392
Wastewater System Management	116,700
Chemical Treatments	71,829
Lab and Testing Fees	15,281
Office Expenses	13,364
Repairs and Maintenance	156,384
Utilities	28,270
Depreciation	244,882
SAW Grant Expenses	216,343
Other	2,469
Total Operating Expenses	\$ 1,241,543
Operating Income	\$ 242,431
Other Revenue (Expenses)	
Interest Income:	
Special Assessments	\$ 48,304
Other	17,645
Interest Expense	(101,702)
Total Other Revenue (Expenses)	\$ (35,753)
Change in Net Position	\$ 206,678
Net Position - Beginning of Year	9,613,685
Net Position - End of Year	\$ 9,820,363

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017

	Sewer Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 1,038,897
Receipts from SAW Grant	294,674
Payments to Vendors and Suppliers	(970,438)
Payments to Employees	(31,840)
Net Cash Provided by Operating Activities	\$ 331,293
Cash Flows From Capital and Related Financing Activities	
Special Assessment Principal Received	\$ 307,002
Special Assessment Interest Received	48,304
Principal Reduction of Long-term Debt	(617,950)
Interest Paid	(112,736)
Net Cash Used in Capital and Related Financing Activities	\$ (375,380)
Cash Flows From Investing Activities	
Interest Received	\$ 17,645
Net Change in Certificates of Deposit	(13,123)
Net Change in Restricted Certificate of Deposit	320,584
Net Change in Restricted Cash (SAW Grant)	34,136
Net Cash Provided by Investing Activities	\$ 359,242
Net Increase in Cash and Cash Equivalents	\$ 315,155
Cash and Cash Equivalents - Beginning	470,495
Cash and Cash Equivalents - Ending	\$ 785,650
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 242,431
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	244,882
<i>Change in Assets and Liabilities:</i>	
Trade Receivables, Net	6,960
Accounts Payable	(162,980)
Net Cash Provided by Operating Activities	\$ 331,293

The Notes to the Financial Statements are an integral part of this statement.

TRUST AND AGENCY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2017

	Agency Fund (Property Tax Collections)	Trust Fund (Escrow Funds)	Total Trust and Agency Funds
Assets			
Cash	\$ 3,634	\$ 2,999	\$ 6,633
Total Assets	<u>\$ 3,634</u>	<u>\$ 2,999</u>	<u>\$ 6,633</u>
Liabilities			
Due to Governmental Units	\$ 3,634	\$ -	\$ 3,634
Due to Others	-	2,999	2,999
Total Liabilities	<u>\$ 3,634</u>	<u>\$ 2,999</u>	<u>\$ 6,633</u>

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Township of Ontwa (the "Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected seven-member council ("Board"). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that it is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2017.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete. There were no such units at March 31, 2017.

Jointly Governed Organization—The Township is a sponsoring member of the Township of Ontwa-Edwardsburg Police Department, The Edwardsburg Joint Fire Board, and the Edwardsburg Ambulance Service. The Township appoints two members to each jointly governed organization's governing board, and the Township provides annual financial support to each entity. The Township does not retain an equity interest in any of the entities and, accordingly, these entities are not considered includable in these financial statements. Financial information of the jointly governed organizations is available from their respective offices in Edwardsburg, Michigan.

B. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Continued**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

General Fund - This 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.

Police Fund – This fund accounts for the 2.000 mills of special voted taxes used to support the operating and capital costs for police services.

Fire/Ambulance Fund - This fund accounts for the 2.000 mills of special voted taxes used to support the operating and capital costs for fire and ambulance services.

The Township reports the following major proprietary funds:

Sewer Fund - This fund is the Township's enterprise fund that accounts for the operations for the services of processing and treating the Township's sewage.

The Township reports the following non-major governmental funds:

Ambulance Fund – This fund accounts for the additional 0.75 of a mill special voted tax to support the operating and capital costs for ambulance services.

The Township has also approved the following Special Assessment Districts pursuant to Act 188, Public Acts of Michigan of 1954, as amended.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

Special Assessment for Pleasant Lake and Back Lots District – This fund accounts for special assessments for aquatic weed control/eradication improvement for Pleasant Lake and its Back Lots. The District was renewed for ten (10) years beginning in fiscal year 2017, not to exceed \$300/year per assessed parcel. Annual redetermination to potentially reduce the following year's special assessment will take place at the Township's September regular board meeting.

Special Assessment for Eagle Lake and Channels District – This fund accounts for special assessments for aquatic weed control/eradication improvement for Eagle Lake and its Channels, and properties with deeded access. The District was renewed for ten (10) years beginning in fiscal year 2015, not to exceed \$150/year per assessed parcel. Annual redetermination, to potentially reduce the following year's special assessment will take place at the Township's September regular board meeting.

Special Assessment for Regal Place Lights I, II, III – This fund accounts for special assessments for the monthly street lights in the Regal Place sub-division. The District was established in 2008 and charges \$10 per assessed parcel. Annual redetermination, to potentially reduce the following year's special assessment will take place at the Township's September regular board meeting.

Special Assessment for Garver Lake Aquatic Plant Control and Lake Improvements District 16-1 – This fund accounts for special assessments for assessing the cost of a proposed aquatic plant control project for an estimated cost of \$90,000. The District was established in fiscal year 2017 for five (5) years.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is 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 revenue 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Revenue is recognized in the accounting period in which it becomes susceptible to accrual—that is, when it becomes both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Property Taxes - The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2016 ad valorem tax is levied and collectible on December 1st, 2016 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2016 taxable valuation of the Township totaled approximately \$232.3 million, on which ad valorem taxes are levied which consisted of .7424 mills for the Township's operating purposes, 2.0000 for police, 2.0000 for fire/ambulance services, and .7500 mills for ambulance services. These amounts are recognized in their governmental fund financial statements as taxes receivable—current or as tax revenue.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Receivables and Payables—all trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Office Equipment	5 to 15 years
Computer Equipment	3 to 7 years
Roads	20 years
Sewer System	50 years

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

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e., there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Inflows of Resources—In addition to liabilities, the statement of financial 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 will not be recognized as an inflow of sources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, for long-term receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available. The Township has a deferred inflow related to the special assessment that is reported on the Governmental Funds Balance Sheet.

Estimates—the preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity—the Township has adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The following are definitions for the five fund balance classifications:

Non spendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance- includes amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Assigned fund balance – includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed.

Unassigned fund balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes within the General Fund.

As the Township has not established a policy for its use of unrestricted fund balance amounts, it considers that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

Fund Equity Flow Assumption—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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Concluded**

Net Position Flow Assumption—Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by function. The legal level of budgetary control adopted by the governing board (i.e., the level at which expenditures that may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Township to amend its budgets during the year. There were two amendments to the General Fund budget during the year.

For the year ended March 31, 2017, the Township did not adopt a budget for the Ambulance Fund.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds - During the year, the Township had the following budget variances:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Safety - Police	\$ 158,440	\$ 184,067	\$ (25,627)
Public Works - All Other	7,967	9,391	(1,424)

MARCH 31, 2017

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits – The Township has no accumulated fund balance/retained earning deficits in their reported funds.

Construction Code Fees – The Township oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Deficit Beginning of year	\$ (31,602)
Current year permit revenue	\$ 67,764
Related expenses:	
Direct costs	(70,877)
Current year loss	\$ (3,113)
Cumulative deficit End of year	<u>\$ (34,715)</u>

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2017, the Township’s deposits and investments were reported in the financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 732,760	\$ 785,650	\$ 1,518,410	\$ 6,633
Certificates of Deposit	540,290	1,111,463	1,651,753	-
Restricted Certificate of Deposit	-	814,677	814,677	-
SAW Grant Cash	-	82,488	82,488	-
Total	<u>\$ 1,273,050</u>	<u>\$ 2,794,278</u>	<u>\$ 4,067,328</u>	<u>\$ 6,633</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts)	\$ 1,600,898	\$ 6,633
Certificate of Deposits > 1 year	2,466,430	-
	<u>\$ 4,067,328</u>	<u>\$ 6,633</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED**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, \$3,661,437 of the Township's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificates of Deposit	<u>\$ 2,466,430</u>	<u>\$ 2,466,430</u>	<u>\$ 2,466,430</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk:

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2017, the Township had no such investments.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Concentration of Credit Risk:**

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2017, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, 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. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2017, the Township had no such investments.

Foreign Currency Risk:

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

Fair Value Measurement:

The Township categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Township has the following recurring fair value measurements as of March 31, 2017:

- Certificates of deposits with a balance of \$2,466,430 valued using quoted prices in active markets for identical assets (Level 2).

NOTE 4. PROMISSORY NOTE

The Township has a promissory note receivable due from the Edwardsburg Ambulance Service dated October 31, 2014 in the amount of \$156,602, and bearing interest at the rate of 1.2%. The note is to be repaid to the Township in four annual installments of \$39,151 plus interest beginning on April 1, 2015 through April 1, 2018. The purpose of the loan was to enable the Edwardsburg Ambulance Service to purchase a 2012 Chevy Ambulance. The outstanding balance at March 31, 2017 was \$78,300.

NOTE 5. RECEIVABLES

Receivables as of year-end for the Township's individual major fund including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Police Fund	Fire/ Ambulance Fund	Special Assessments Fund	Sewer Fund	Total
Receivables:						
Taxes	\$ 12,159	\$ 21,664	\$ 29,823	\$ 11,401	\$ -	\$ 75,047
Special Assessments	-	-	-	76,315	799,959	876,274
Trade	-	-	-	-	150,403	150,403
Total Receivables	<u>\$ 12,159</u>	<u>\$ 21,664</u>	<u>\$ 29,823</u>	<u>\$ 87,716</u>	<u>\$ 950,362</u>	<u>\$ 1,101,724</u>

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property.

NOTE 6. CAPITAL ASSETS

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 30,350	\$ -	\$ -	\$ 30,350
Capital assets being depreciated:				
Building	\$ 384,181	\$ -	\$ -	\$ 384,181
Equipment	119,037	8,220	-	127,257
Streets	561,247	-	-	561,247
Total	<u>\$ 1,064,465</u>	<u>\$ 8,220</u>	<u>\$ -</u>	<u>\$ 1,072,685</u>
Accumulated depreciations:				
Building	\$ (153,593)	\$ (9,605)	\$ -	\$ (163,198)
Equipment	(102,979)	(2,034)	-	(105,013)
Streets	(224,589)	(28,062)	-	(252,651)
Total	<u>\$ (481,161)</u>	<u>\$ (39,701)</u>	<u>\$ -</u>	<u>\$ (520,862)</u>
Net capital assets being depreciated	<u>\$ 583,304</u>			<u>\$ 551,823</u>
Net capital assets	<u>\$ 613,654</u>			<u>\$ 582,173</u>

NOTE 6. CAPITAL ASSETS, CONCLUDED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities - Sewer				
Capital assets being depreciated				
Sewer system	\$ 11,848,718	\$ -	\$ -	\$ 11,848,718
Equipment	104,390	-	-	104,390
Total	<u>\$ 11,953,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,953,108</u>
Accumulated depreciation:				
Sewer system	\$ (3,344,259)	\$ (236,974)	\$ -	\$ (3,581,233)
Equipment	(15,609)	(7,908)	-	(23,517)
Total	<u>\$ (3,359,868)</u>	<u>\$ (244,882)</u>	<u>\$ -</u>	<u>\$ (3,604,750)</u>
Net capital assets - Sewer	<u>\$ 8,593,240</u>			<u>\$ 8,348,358</u>

Depreciation was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated Depreciation	<u>\$ 39,701</u>
Business-type Activities	
Sewer	<u>\$ 244,882</u>

NOTE 7. LONG TERM DEBT

Long term obligations consist of the following contract payables to Cass County, issued in connection with sewer system improvements and expansion. All debt is secured by the full faith and credit of the Township.

Long-term obligation activity can be summarized as follows:

Fund	Interest Rate	Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities							
2005 Contract Payable	3.5-4.75%	2019	\$ 2,430,000	\$ -	\$ (565,000)	\$ 1,865,000	\$ 605,000
2012 Contract Payable	2.0-3.15%	2024	406,656	-	(52,950)	353,706	50,832
Total Business- type Activities			<u>\$ 2,836,656</u>	<u>\$ -</u>	<u>\$ (617,950)</u>	<u>\$ 2,218,706</u>	<u>\$ 655,832</u>

NOTE 7. LONG TERM DEBT, CONCLUDED

	<u>Face Amount</u>
\$1,360,000 Cass County Sewage Disposal Bonds (Painter, Juno, and Christiana Lakes) (Refunding, Series 2012 general obligation limited tax); bearing interest at 2.00% to 3.15%, due in annual installments of \$75,000 to \$140,000, beginning in May 2013, plus interest, through May 2024. **	\$ 353,706
\$6,540,000 Cass County Sewage Disposal Bonds (Refunding general obligation limited tax); bearing interest at 3.50% to 4.75%, due in annual installments of \$485,000 to \$640,000, beginning in May 2008, plus interest, through May 2019.	<u>1,865,000</u>
	<u>\$ 2,218,706</u>

** -- This bond obligation is shown with Ontwa Township responsible for 42.36% and Mason Township responsible for 57.65%.

Annual debt service requirements to maturity for the above contract obligations are as follows:

	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 655,832	\$ 83,737	\$ 739,569
2019	688,714	53,053	741,767
2020	666,596	21,699	688,295
2021	46,596	5,576	52,172
2022	44,478	4,210	48,688
2023-2025	116,490	5,042	121,532
	<u>\$ 2,218,706</u>	<u>\$ 173,317</u>	<u>\$ 2,392,023</u>

Interest expense of \$101,702 was charged to the sewer operations of the Township for the year ended March 31, 2017.

NOTE 8. WASTEWATER TREATMENT SERVICES WITH CITY OF ELKHART

The Township and the Cass County Board of Public Works ("BPW") are parties with the City of Elkhart ("Elkhart") for sewage and wastewater treatment services. The original agreement was dated March 14, 2000, with amendments on August 15, 2000 and May 16, 2011. The BPW has made fixed capital buy-in payments that entitle the Township and BPW to an average daily flow rate that shall not exceed 515,000 gallons per day or 900 gallons per minute. They also have the option to purchase additional capacity to add an additional 155,000 gallons per day of average flow. The agreement is in place for twenty (20) years from the date of the 2nd amendment. The cost of these services for March 31, 2017 was \$341,392.

NOTE 9. OPERATING LEASES

The Township did not have any operating or capital leases during the year.

NOTE 10. SANITARY SEWAGE DISPOSAL FOR GRANGER SERVICE AREA

The Township has an agreement with the St. Joseph County Regional Water & Sewer District ("District") for the transmittal of District sewage through the Township's sewer system to be processed by the Elkhart system. (See Note 8). The District purchased a capacity of 75,000 gallons per day at a cost of \$3.14/gal for a total cost of \$235,500, with the option of purchasing an additional 60,000 gallons per day at the same multiplier. The total amount of revenue received from the District was \$29,814 for fiscal 2017.

The monthly charge for treatment of the sewage will be \$2.94/1,000 gallons, with \$2.40 for the treatment by Elkhart and \$0.54 for transportation in the Township's system.

NOTE 11. SAW GRANT

The Township entered into a grant agreement as of October 29, 2014 with the Michigan Department of Environmental, Office of Drinking Water and Municipal Assistance (the "DEQ") to provide funding for the Township project named Wastewater Asset Management Plan and Wastewater Planning and Design, project #1419-01. The grant is awarded pursuant to Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. The project is for the development of Wastewater Asset Management Plan and completion of a Rural Development Preliminary Engineering Report and Plans and Specifications. The total project cost is \$678,683 with the grant amount awarded for 90% or \$610,815 and the Township responsible for a 10% match or \$67,868. The grant period is from January 1, 2013 to October 1, 2017, with only costs incurred between the start and end dates eligible for payment. The total amount received from the grant in for the year ended March 31, 2017 was \$294,674. The total costs incurred during the fiscal year were \$216,343; with total costs incurred during the grant period is \$669,343.

NOTE 12. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; worker's compensation; and natural disaster. The Township participates in the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, error and omissions, physical damage (equipment, building and contents) and work's compensations. Settlement amounts have not exceeded insurance coverage for the past four years.

NOTE 13. GASB STATEMENT NO. 77 – TAX ABATEMENTS

The Township has evaluated the tax abatements related to the Township and determined none are material for disclosure as of March 31, 2017.

NOTE 14. SUBSEQUENT EVENTS

The Township has evaluated subsequent events through August 14, 2017, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED March 31, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues				
Tax Revenues	\$ 179,500	\$ 179,500	\$ 182,308	\$ 2,808
Intergovernmental Revenue from State	392,000	392,000	407,799	15,799
Fines and Forfeits	-	-	16,486	16,486
Licenses and Permits	67,050	67,050	67,764	714
Franchise Fees	60,000	60,000	76,467	16,467
Interest and Rents	4,000	4,000	6,368	2,368
Other Revenue	20,200	20,200	60,161	39,961
Total Revenues	<u>\$ 722,750</u>	<u>\$ 722,750</u>	<u>\$ 817,353</u>	<u>\$ 94,603</u>
Expenditures				
General Government:				
Legislative	\$ 115,780	\$ 115,780	\$ 97,456	\$ 18,324
Chief Executive	100,016	104,016	92,167	11,849
Treasurer	47,575	47,575	42,303	5,272
Assessing Equalization	48,100	48,100	42,368	5,732
Clerk	30,075	33,075	29,909	3,166
Elections	32,500	27,500	15,523	11,977
Building and Grounds	63,800	57,300	42,239	15,061
All Other	7,000	8,500	7,075	1,425
Public Safety:				
Police	158,440	158,440	184,067	(25,627)
Ambulance/Fire	1,200	1,200	1,140	60
Building Inspections	75,350	80,350	70,877	9,473
Public Works:				
Electric Utilities	10,000	10,000	8,493	1,507
Roads	105,000	105,000	88,988	16,012
All Other	7,967	7,967	9,391	(1,424)
Recreation and Culture:				
Parks and Recreation	40,500	38,500	3,977	34,523
Community and Economic Development:				
Community Planning and Zoning	20,000	20,000	6,045	13,955
Total Expenditures	<u>\$ 863,303</u>	<u>\$ 863,303</u>	<u>\$ 742,018</u>	<u>\$ 121,285</u>
Net Change in Fund Balance	\$ (140,553)	\$ (140,553)	\$ 75,335	\$ 215,888
Fund Balance - Beginning of Year	<u>900,377</u>	<u>900,377</u>	<u>900,377</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 759,824</u>	<u>\$ 759,824</u>	<u>\$ 975,712</u>	<u>\$ 215,888</u>

BUDGETARY COMPARISON SCHEDULE
POLICE FUND
YEAR ENDED March 31, 2017

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 466,455	\$ 466,455	\$ -
Interest	100	42	(58)
Total Revenues	<u>\$ 466,555</u>	<u>\$ 466,497</u>	<u>\$ (58)</u>
Expenditures			
Public Safety	\$ 466,497	\$ 466,497	\$ -
Total Expenditures	<u>\$ 466,497</u>	<u>\$ 466,497</u>	<u>\$ -</u>
Excess Revenues Over Expenditures	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ (58)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ (58)</u>

BUDGETARY COMPARISON SCHEDULE-
FIRE/AMBULANCE FUND
YEAR ENDED March 31, 2017

	Original and Final Budget	Actual	Variance
Revenues			
Taxes and Penalties	\$ 466,765	\$ 466,765	\$ -
Interest	100	41	(59)
Total Revenues	<u>\$ 466,865</u>	<u>\$ 466,806</u>	<u>\$ (59)</u>
Expenditures			
Public Safety	\$ 466,806	\$ 466,806	\$ -
Total Expenditures	<u>\$ 466,806</u>	<u>\$ 466,806</u>	<u>\$ -</u>
Excess Revenues Over Expenditures	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ (59)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ (59)</u>

OTHER SUPPLEMENTARY INFORMATION

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2017**

	Special Revenue Funds						Total
	Ambulance Fund	Pleasant Lake and Back Lots	Eagle Lake and Channels	Regal Place Street Lights	Garver Lake District 16-1		
Cash and Cash Equivalents	\$ -	\$ 16,109	\$ 42,925	\$ 1,489	\$ 11,042	\$ 71,565	
Taxes Receivables	8,128	1,828	380	30	1,035	11,401	
Special Assessment Receivables	-	-	-	-	76,315	76,315	
Due from General Fund	-	-	-	1,784	-	1,784	
Total Assets	\$ 8,128	\$ 17,937	\$ 43,305	\$ 3,303	\$ 88,392	\$ 161,065	

Liabilities and Fund Balances

Liabilities						
Accounts Payable	\$ 8,128	\$ -	\$ -	\$ -	\$ -	\$ 8,128
Due to General Fund	-	2,179	13,163	-	5,278	20,620
Total Liabilities	\$ 8,128	\$ 2,179	\$ 13,163	\$ -	\$ 5,278	\$ 28,748

Deferred Inflows of Resources

Unavailable Revenue: Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ 76,315	\$ 76,315
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Fund Balances

Restricted:						
Street Lighting	\$ -	\$ -	\$ -	\$ 3,303	\$ -	\$ 3,303
Weed Control Districts	-	15,758	30,142	-	6,799	52,699
Total Fund Balances	\$ -	\$ 15,758	\$ 30,142	\$ 3,303	\$ 6,799	\$ 56,002

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,128	\$ 17,937	\$ 43,305	\$ 3,303	\$ 88,392	\$ 161,065
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED March 31, 2017**

Revenues	Special Revenue Funds					Total
	Ambulance Fund	Pleasant Lake and Back Lots	Eagle Lake and Channels	Regal Place Street Lights	Garver Lake District 16-1	
Tax Revenues	\$ 174,594	\$ -	\$ -	\$ -	\$ -	\$ 174,594
Special Assessments	-	18,218	24,776	770	13,685	57,449
Interest	-	13	15	4	2	34
Total Revenues	\$ 174,594	\$ 18,231	\$ 24,791	\$ 774	\$ 13,687	\$ 232,077

Expenditures

Current:						
Public Safety	\$ 174,594	\$ -	\$ -	\$ -	\$ -	\$ 174,594
Public Works	-	13,511	29,156	370	6,888	49,925
Total Expenditures	\$ 174,594	\$ 13,511	\$ 29,156	\$ 370	\$ 6,888	\$ 224,519
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ 4,720	\$ (4,365)	\$ 404	\$ 6,799	\$ 7,558
Net Change in Fund Balances	-	4,720	(4,365)	404	6,799	7,558
Fund Balance - Beginning of Year	-	11,038	34,507	2,899	-	48,444
Fund Balance - End of Year	\$ -	\$ 15,758	\$ 30,142	\$ 3,303	\$ 6,799	\$ 56,002

**MANAGEMENT COMPLIANCE
LETTER**



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

To the Board of Trustees
Ontwa Township
Cass County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Ontwa Township, Michigan, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise Ontwa Township, Michigan’s basic financial statements and have issued our report thereon dated August 14, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies as significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses item 2017-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-002 and 2017-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ontwa Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed items 2017-004 and 2017-005 as instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Ontwa Township, Michigan's Response to Findings

Ontwa Township, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ontwa Township, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
August 14, 2017

SECTION I – STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2016 – 001Audit Adjustments – Material Weakness

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and for the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept given the government's unique circumstances.

Condition: Material adjustments were identified during the audit and recorded as adjusting journal entries.

Cause: This condition was caused by the Township's decision that it is more cost effective to outsource the recording of principal payments, accruals, depreciation, etc. to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Township personnel to prepare them internally.

Effect: A reliance on the independent auditor to be part of the Township's internal controls over financial reporting. The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Directive: We recommend that the Township Board evaluate the cost versus benefit of establishing internal controls over the recording of principal payments in accordance with GAAP, and determine if it is in the best interests of the Township to outsource this duty to the external auditors. If the Township continues to rely on its external auditors to prepare the financial statements, we recommend that the board designate a responsible Township official to carefully review the journal entries prior to approving them and accepting responsibility for them.

Management Response: The Township has determined that it will begin recording the entries as needed at year-end.

Status of Prior Year Finding: Finding still exists and will repeat as finding.

Finding 2016 – 002Preparation of Financial Statements in accordance with GAAP – Significant Deficiency

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) record, processing and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements.

Condition: As in the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Cause: Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it their best interest to outsource the preparation of its annual financial statements and other schedules to the auditors rather than to incur the time and expense of obtaining the necessary expertise required for the Township to perform this task internally.

Effect: A reliance on the independent auditor to be part of the Township's internal controls over financial reporting. The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

Recommendation: We recommend that the Township Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the Township to outsource this duty to the external auditors. If the Township continues to rely on its external auditors to prepare the financial statements, we recommend that the Township board designate a responsible Township official to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management Response: The Township has determined that due to budgetary constraints the cost of contracting with a qualified third-party to prepare the financial statements would be cost prohibitive.

Status of Prior Year Finding: Finding still exists and will repeat as finding.

Finding 2016 – 003Segregation of Duties – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and for the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept given the government's unique circumstances.

Condition: As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent years have given rise to heightened awareness of the risks of fraud and abuse, especially in a governmental environment, where public accountability is the highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against lost from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of the Township's internal controls carries with it a greater risk of fraud and abuse.

Cause: This condition is a result of the Township's limited resources and the small size of its Township's staff.

Effect: The Township is exposed to an increased risk that misstatements or misappropriations may occur and not be detected by management on a timely basis.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Management Response: We are aware of this deficiency; however, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. However, we will evaluate available options to administer limited segregation of duties for key accounting functions given our current resources.

Status of Prior Year Finding: Finding still exists and will repeat as finding.

Finding 2016 – 004

Expenditures in Excess of Appropriations – Noncompliance with Laws and Regulations

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended. Various audit adjustments resulted in adjusted account balances.

Condition: Ontwa Township’s 2016 General Appropriation Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled at the activity level. As detailed below, actual 2017 expenditures exceeded Ontwa Township’s Board approved budget allocations for several General Fund and Special Revenue Fund accounts.

During year ended March 31, 2016 expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Fund - Public Safety	\$ 434,792	\$ 449,965	\$ (15,173)
Fire/Ambulance Fund - Public Safety	434,792	449,965	(15,173)
General Fund:	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety - Police	\$ 160,500	\$ 173,852	\$ (13,352)
Public Works - Roads	-	33,462	(33,462)
Public Works - Other	90	1,494	(1,404)
Public Safety - Building Inspection	57,358	64,580	(7,222)
Transfers to/from other funds	-	51,620	(51,620)

Cause: Invoices for building department were not submitted until after the fiscal year was completed. The overage for the Treasurer’s office was an oversight.

Effect: The Township is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

Directive: We direct the Ontwa Township Board to develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management Response: The Treasurer underestimated payroll and retirement. The Treasurer has taken into consideration extra hours that may be worked during tax season to correct this. The Township was not aware of the need for the Ambulance Fund and will adopt a budget for the fund for the next fiscal year. The plumbing inspector had not billed the Township in several years. We had contacted him toward the end of the fiscal year and asked him to bring his account up to date. The Township wants to be fiscally current and he has agreed to bill accordingly.

Status of Prior Year Finding: Finding still exists and will repeat as finding. See 2017-005 for updated budget variances.

Finding 2016 – 005Tax Revenues Collected for another Taxing Unit and Not Remitted Timely – Noncompliance with Laws and Regulations

Criteria: Tax revenues collected for another taxing unit must distribute the collection in accordance with MCL 211.43 (Section 43(3) of General Property Tax Act, PA 206 of 1893, as amended.)

Condition: The Ontwa Township Treasurer is currently collecting tax revenues for various taxing units, including the Township itself, and not remitting to appropriate unit timely.

Cause: Tax revenue collections were not submitted per the distribution schedule per the referenced MCL.

Effect: The Township is in noncompliance with State stature with failure to meet the appropriate distribution schedules.

Directive: We direct Ontwa Township to develop distribution schedule for tax revenues collected that comply with State statues. The Township may enter into an alternative agreement to establish alternative schedule for delivering tax collections, and also to enhance collection, those collections on hand on the last day of the month be distributed within 10 business days.

Management Response: The Township treasurer has reviewed the State statues and has begun disbursing all tax collections within the distribution guidelines.

Status of Prior Year Finding: Finding still exists and will repeat as finding.

Finding 2016 – 006Payments Disbursed without Approval – Significant Deficiency

Criteria: All disbursements must be approved by the legislative body prior to issuance unless addressed other in the charter. The legislative body may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). The policy must be very limited and list of payments made prior to approval must be presented to the legislative body for approval.

Condition: The Township did not approve certain disbursements prior to payments. In addition, some disbursements were signed by the Township Supervisor, an unauthorized check signer.

Cause: Certain disbursements, specifically related to SAW grant expenditures and Ambulance and Police contract payments made directly from the Tax Fund, were not approved prior to payment.

Effect: The Township is in noncompliance with State stature with failure to meet the appropriate disbursement approval process.

Finding 2016 – 006, Concluded

Directive: We direct Ontwa Township board to have any and all disbursements come to the full legislative board for approval. This should include not only the general fund, but all special revenue and proprietary fund disbursements.

Management Response: The Township clerk will prepare all disbursements from invoices received for board approval and no checks will be signed or authorized prior to full board approval, unless on approved board list.

Status of Prior Year Finding: Disbursements are now approved by board of trustees prior to signature or authorization, unless on pre-approved board list of vendors.

Finding 2016 – 007**Conflict of Interest in Violation of Grant – Non-compliance with Provisions of Grant Agreement**

Criteria: No government employee or member of the legislative, judicial, or executive branches or member of the Grantee's governing body, its employees, partner, agencies or their families shall have benefit financially from any part of SAW grant agreement.

Condition: The Township employed an individual as Wastewater and SAW Grant administrator through January 31, 2016. Effective February 18, 2016, the Township entered into a contract with this same individual's existing company to administer the SAW Grant. This company was then paid for past services related to SAW grant activities.

Cause: The Township entered into a contract with the company of a Township employee and paid for SAW grant services dating prior to employee resignation.

Effect: The Township is in noncompliance with the grant agreement.

Directive: We direct Ontwa Township board to review future contracts for possible conflicts of interest.

Management Response: The board will examine future contracts for possible conflicts of interest before approval.

Status of Prior Year Finding: No continuing issues with conflicts of interest noted.

SECTION II – CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Finding 2017 – 001 – See prior year financial statement finding 2016 – 001.

Finding 2017 – 002 – See prior year financial statement finding 2016 – 002.

Finding 2017 – 003 – See prior year financial statement finding 2016 – 003.

Finding 2017 – 004 – See prior year financial statement finding 2016 – 005.

Finding 2017 – 005

Expenditures in Excess of Appropriations – Noncompliance with Laws and Regulations

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended. Various audit adjustments resulted in adjusted account balances.

Condition: Ontwa Township’s 2017 General Appropriation Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled at the activity level. As detailed below, actual 2017 expenditures exceeded Ontwa Township’s Board approved budget allocations for several General Fund and Special Revenue Fund accounts.

During year ended March 31, 2017 expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Public Safety - Police	\$ 158,440	\$ 184,067	\$ (25,627)
Public Works - All Other	7,967	9,391	(1,424)

Cause: Various audit adjustments for expenditures resulted in adjusted account balances that were in excess of expenditures.

Effect: The Township is in noncompliance with State statute. Unavailable funds continued to be spent despite the lack of budgeted funds to support the expenses.

Directive: We direct the Ontwa Township Board to develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management Response: Audit adjustments caused the excess General Fund expenditures. The Township will record adjustments as needed at year end.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The Township spent less than \$750,000 of federal awards. A single audit is not required under the Office of Management and Budgets' (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") in policy guide 2 CFR 200 and was not performed.