

*Charter Township of Oshtemo
Kalamazoo County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2015

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Charter Township of Oshtemo, Kalamazoo County, Michigan

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo (the Township) as of and for the year ended December 31, 2015, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Township'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 Township'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2015, 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.

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 5 through 10 and 32 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Seber Tans, PLC
Kalamazoo, Michigan
June 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Oshtemo's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$1,009,518 (4 percent) as a result of this year's activities.
- Of the \$27,060,682 total net position reported, \$7,928,577 (29 percent) is available to be used to meet future operating and capital improvement needs, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,787,785, which represents 125 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

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

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

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

A comparative analysis of the government-wide financial statements for 2015 and 2014 is also presented.

Government-wide financial statements

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

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

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

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

- *Governmental activities* - Most of the Township's basic services are included here, such as police, fire, and general government activities. Property taxes, assessments, and state grants finance most of these activities.
- *Component units* - The Township includes two other entities in its report - the Downtown Development Authority and the South Drake Road Corridor Improvement Authority. Although legally separate, these "component units" are important because the Township is financially accountable for both Authorities.

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.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two types of funds:

- *Governmental funds*. Most of the Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$27,060,682. Of this total, \$16,818,777 is invested in capital assets, \$2,313,328 is restricted for public safety, and \$7,928,577 is unrestricted.

*Condensed financial information
Net position*

| | <i>Governmental activities</i> | |
|----------------------------------|--------------------------------|----------------------|
| | <u>2015</u> | <u>2014</u> |
| Current and other assets | \$ 14,057,426 | \$ 13,155,035 |
| Capital assets | <u>16,828,699</u> | <u>16,670,869</u> |
| Total assets | <u>30,886,125</u> | <u>29,825,904</u> |
| Current and other liabilities | 612,019 | 602,305 |
| Long-term debt | <u>-</u> | <u>35,000</u> |
| Total liabilities | <u>612,019</u> | <u>637,305</u> |
| Deferred inflows of resources | <u>3,213,424</u> | <u>3,137,435</u> |
| Net position: | | |
| Net investment in capital assets | 16,818,777 | 16,635,869 |
| Restricted | 2,313,328 | 2,355,599 |
| Unrestricted | <u>7,928,577</u> | <u>7,059,696</u> |
| Total net position | <u>\$ 27,060,682</u> | <u>\$ 26,051,164</u> |

Changes in net position

The Township's total revenues were \$6,499,000. For 2015, charges for services were 50 percent of the Township's revenues, 29 percent comes from state grants, and 11 percent comes from property taxes.

The total cost of the Township's programs and services was \$5,489,482. Approximately 52 percent of the Township's costs are related to public safety activities, general government is 28 percent, and public works is 12 percent of expenses.

*Condensed financial information
Changes in net position*

| | <u>Governmental activities</u> | |
|------------------------------------|--------------------------------|----------------------|
| | <u>2015</u> | <u>2014</u> |
| Program revenues: | | |
| Charges for services | \$ 3,247,635 | \$ 3,874,930 |
| Operating grants | 11,261 | 13,203 |
| Capital grants | 440,735 | 287,138 |
| General revenues: | | |
| Property taxes | 698,693 | 684,160 |
| State grants | 1,905,604 | 1,687,056 |
| Franchise fees | 169,577 | 247,864 |
| Investment income | 25,495 | 22,727 |
| | <u>6,499,000</u> | <u>6,817,078</u> |
| Total revenues | | |
| Expenses: | | |
| General government | 1,537,806 | 1,452,876 |
| Public safety | 2,858,129 | 2,645,569 |
| Public works | 652,649 | 563,436 |
| Community and economic development | 203,724 | 220,644 |
| Culture and recreation | 237,174 | 171,399 |
| | <u>5,489,482</u> | <u>5,053,924</u> |
| Total expenses | | |
| Changes in net position | <u>\$ 1,009,518</u> | <u>\$ 1,763,154</u> |
| Net position, end of year | <u>\$ 27,060,682</u> | <u>\$ 26,051,164</u> |

Governmental activities

The net position increased \$1,009,518 for 2015 compared to a \$1,763,154 increase in the prior year. The decrease can be attributed to a decrease in revenue, primarily due to a reduction in police assessments of approximately \$491,000 and an increase in most expenses during the current fiscal year.

The total cost of governmental activities this year was \$5,489,482. After subtracting the direct charges to those who directly benefited from the programs (\$3,247,635) and operating and capital grants (\$451,996), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,789,851.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current year, the Township's governmental funds reported combined ending fund balances of \$9,868,824, an increase of \$565,509 from last year.

The General Fund is the primary operating fund of the Township. Its fund balance decreased by \$263,181 during the year, as revenues of \$2,913,019 were less than current expenditures of \$2,231,550 and transfers to other funds of \$944,650. The fund balance was \$4,702,056 at the end of the year.

The Fire Fund experienced an increase in fund balance of \$9,695 for 2015, as revenues of \$1,764,230 and a transfer from the General Fund of \$6,000 exceeded current expenditures of \$1,760,535. The ending fund balance was \$1,828,414.

The Police Fund experienced a \$136,125 decrease in fund balance, which reflects police service expenditures of \$1,019,458 that were more than combined revenues of \$783,683 and a transfer of \$99,650 from the General Fund. The fund balance at the end of the year was \$494,277.

The General Sewer Fund experienced a \$752,715 increase in fund balance for 2015, as revenues of \$228,414 and a transfer from the General Fund of \$600,000, were more than sufficient to cover current year's expenditures of \$75,695. The fund balance at the end of the year was \$1,705,933.

General Fund budgetary highlights

The Township amended the General Fund revenues and expenditures budgets for anticipated increases in both revenues and expenditures. Total revenues were \$81,152 less than anticipated, primarily due to state grants being less than anticipated by nearly \$99,000. Total expenditures were \$1,531,411 less than the amounts appropriated, primarily due to capital outlay costs that were \$1,290,123 less than projected due to projects not occurring in the current year that were planned and general government costs that were \$142,247 less than expected.

These variances resulted in a positive budget variance of \$1,450,259, with a \$263,181 decrease in fund balance compared to a budget that anticipated a \$1,713,440 decrease in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets as of December 31, 2015, was \$16,828,699 (net of accumulated depreciation). This investment includes buildings and improvements, equipment and vehicles, and sewer, water, and road infrastructure. The \$157,830 increase in the Township's investment in capital assets for the current fiscal year includes \$915,810 in capital asset additions, less \$757,980 in depreciation for the year.

Major capital asset additions during the current fiscal year include:

- \$239,267 for park improvements
- \$155,652 for roads, drains, and water and sewer infrastructure costs
- \$178,038 for a non-motorized path
- \$161,697 for fire vehicles
- \$78,549 for playground equipment
- \$100,998 for new phone and sound systems

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Debt

The Township's long-term obligation consists of \$34,150 in accrued compensated absences.

More detailed information about the Township's noncurrent liabilities is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property tax appeals and resultant reductions have continued over the past few years and are likely to be ongoing. No significant changes are planned in the types of services to be provided or in related levels of expenditures for continuing operations during the upcoming year.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

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

Libby Heiny-Cogswell, Supervisor
Charter Township of Oshtemo
7275 West Main Street
Oshtemo, MI 49009

Phone: (269) 375-4260

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2015

| | <u>Primary government</u> | <u>Component units</u> | |
|--|------------------------------------|---|--|
| | <u>Governmental activities</u> | <u>Downtown Development Authority</u> | <u>South Drake Road Corridor Improvement Authority</u> |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 10,047,694 | \$ 604,344 | \$ 9,147 |
| Investments | 1,071,545 | - | - |
| Beneficial interest of assets held at foundation | 28,826 | - | - |
| Receivables, net | <u>2,691,658</u> | <u>80,091</u> | <u>3,687</u> |
| Total current assets | <u>13,839,723</u> | <u>684,435</u> | <u>12,834</u> |
| Noncurrent assets: | | | |
| Receivables, net | 217,703 | - | - |
| Capital assets not being depreciated | 576,742 | 325,563 | - |
| Capital assets, net of accumulated depreciation | <u>16,251,957</u> | <u>-</u> | <u>-</u> |
| Total noncurrent assets | <u>17,046,402</u> | <u>325,563</u> | <u>-</u> |
| Total assets | <u>30,886,125</u> | <u>1,009,998</u> | <u>12,834</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Payables | 436,809 | 100 | - |
| Unearned operating assessment revenues | <u>141,060</u> | <u>-</u> | <u>-</u> |
| Total current liabilities | 577,869 | 100 | - |
| Noncurrent liabilities - compensated absences | <u>34,150</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>612,019</u> | <u>100</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property tax revenues levied for the subsequent year | 724,714 | 50,528 | 4,278 |
| Special assessment levied for the subsequent year | <u>2,488,710</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>3,213,424</u> | <u>50,528</u> | <u>4,278</u> |
| NET POSITION | | | |
| Net investment in capital assets | 16,818,777 | 325,563 | - |
| Restricted for public safety | 2,313,328 | - | - |
| Unrestricted | <u>7,928,577</u> | <u>633,807</u> | <u>8,556</u> |
| Total net position | <u>\$ 27,060,682</u> | <u>\$ 959,370</u> | <u>\$ 8,556</u> |

See notes to financial statements

Charter Township of Oshtemo

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

| Functions/Programs | Program revenues | | | | Net (expenses) revenues and changes in net position | | |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------------|---|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Component units | |
| | | | | | | Downtown Development Authority | South Drake Road Corridor Improvement Authority |
| Governmental activities: | | | | | | | |
| General government | \$ 1,537,806 | \$ 103,758 | \$ - | \$ - | \$ (1,434,048) | | |
| Public safety | 2,858,129 | 2,503,766 | - | 38,156 | (316,207) | | |
| Public works | 652,649 | 551,420 | 11,261 | 275,246 | 185,278 | | |
| Community and economic development | 203,724 | 67,986 | - | - | (135,738) | | |
| Culture and recreation | 237,174 | 20,705 | - | 127,333 | (89,136) | | |
| Total governmental activities | <u>5,489,482</u> | <u>3,247,635</u> | <u>11,261</u> | <u>440,735</u> | <u>(1,789,851)</u> | | |
| Component units: | | | | | | | |
| Downtown Development Authority | \$ 11,528 | \$ - | \$ - | \$ - | \$ (11,528) | \$ - | |
| South Drake Road Corridor Improvement Authority | - | - | - | - | - | - | |
| Total component units | <u>\$ 11,528</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (11,528)</u> | <u>\$ -</u> | |
| General revenues: | | | | | | | |
| Taxes | | | | | 698,693 | 120,661 | 8,556 |
| State grants | | | | | 1,905,604 | - | - |
| Franchise fees | | | | | 169,577 | - | - |
| Investment income | | | | | 25,495 | 1,202 | - |
| Total general revenues | | | | | <u>2,799,369</u> | <u>121,863</u> | <u>8,556</u> |
| Changes in net position | | | | | 1,009,518 | 110,335 | 8,556 |
| Net position - beginning | | | | | <u>26,051,164</u> | <u>849,035</u> | <u>-</u> |
| Net position - ending | | | | | <u>\$ 27,060,682</u> | <u>\$ 959,370</u> | <u>\$ 8,556</u> |

See notes to financial statements

Charter Township of Oshtemo

BALANCE SHEET - governmental funds

December 31, 2015

| | <u>General</u> | <u>Fire</u> | <u>Police</u> | <u>General Sewer</u> | <u>Nonmajor funds</u> | <u>Total governmental funds</u> |
|--|---------------------|---------------------|---------------------|--------------------------|---------------------------|---|
| ASSETS | | | | | | |
| Cash | \$ 3,809,483 | \$ 2,749,647 | \$ 704,298 | \$ 1,696,792 | \$ 1,087,474 | \$ 10,047,694 |
| Investments | 1,071,545 | - | - | - | - | 1,071,545 |
| Beneficial interest of assets held at foundation | - | - | - | - | 28,826 | 28,826 |
| Receivables | 981,228 | 953,764 | 509,162 | 204,359 | 260,848 | 2,909,361 |
| Due from other funds | 9,143 | - | - | - | - | 9,143 |
| Total assets | \$ 5,871,399 | \$ 3,703,411 | \$ 1,213,460 | \$ 1,901,151 | \$ 1,377,148 | \$ 14,066,569 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Payables | \$ 291,556 | \$ 104,883 | \$ 587 | \$ 9,399 | \$ 30,384 | \$ 436,809 |
| Due to other funds | - | - | - | - | 9,143 | 9,143 |
| Unearned special assessment operating revenues | 141,060 | - | - | - | - | 141,060 |
| Total liabilities | 432,616 | 104,883 | 587 | 9,399 | 39,527 | 587,012 |
| Deferred inflows of resources: | | | | | | |
| Property tax revenues levied for the subsequent year | 724,714 | - | - | - | - | 724,714 |
| Special assessment levied for the subsequent year | - | 1,770,114 | 718,596 | - | - | 2,488,710 |
| Unavailable special assessment revenues | 12,013 | - | - | 185,819 | 84,584 | 282,416 |
| Unavailable grant revenues | - | - | - | - | 114,893 | 114,893 |
| Total deferred inflows of resources | 736,727 | 1,770,114 | 718,596 | 185,819 | 199,477 | 3,610,733 |
| Fund balances: | | | | | | |
| Nonspendable for long-term advance | 5,737 | - | - | - | - | 5,737 |
| Restricted for public safety | 492,314 | 1,828,414 | - | - | - | 2,320,728 |
| Assigned for: | | | | | | |
| Public safety | - | - | 494,277 | - | - | 494,277 |
| Public works | - | - | - | 1,705,933 | 1,118,745 | 2,824,678 |
| Culture and recreation | - | - | - | - | 19,399 | 19,399 |
| Subsequent year expenditures | 1,416,220 | - | - | - | - | 1,416,220 |
| Unassigned | 2,787,785 | - | - | - | - | 2,787,785 |
| Total fund balances | 4,702,056 | 1,828,414 | 494,277 | 1,705,933 | 1,138,144 | 9,868,824 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 5,871,399 | \$ 3,703,411 | \$ 1,213,460 | \$ 1,901,151 | \$ 1,377,148 | \$ 14,066,569 |

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

Total fund balance - total governmental funds \$ 9,868,824

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

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 16,828,699

Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds - compensated absences. (34,150)

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds. 397,309

Net position of *governmental activities* \$ 27,060,682

See notes to financial statements

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

Year ended December 31, 2015

| | <u>General</u> | <u>Fire</u> | <u>Police</u> | <u>General Sewer</u> | <u>Nonmajor funds</u> | <u>Total governmental funds</u> |
|--|---------------------|---------------------|-------------------|--------------------------|---------------------------|---|
| REVENUES | | | | | | |
| Taxes | \$ 698,693 | \$ - | \$ - | \$ - | \$ - | \$ 698,693 |
| Licenses and permits | 237,705 | - | - | - | - | 237,705 |
| Federal grant | - | 38,156 | - | - | - | 38,156 |
| State grants | 1,699,621 | - | - | - | 217,244 | 1,916,865 |
| Charges for services | 98,673 | 10,342 | 19,760 | 125,285 | 236,803 | 490,863 |
| Fines and forfeitures | - | - | 61,319 | - | - | 61,319 |
| Interest and rentals | 8,465 | 4,473 | 1,518 | 11,699 | 33,105 | 59,260 |
| Other | 169,862 | 1,711,259 | 701,086 | 91,430 | 60,970 | 2,734,607 |
| Total revenues | <u>2,913,019</u> | <u>1,764,230</u> | <u>783,683</u> | <u>228,414</u> | <u>548,122</u> | <u>6,237,468</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 1,414,903 | - | - | - | - | 1,414,903 |
| Public safety | 22,718 | 1,483,664 | 1,001,755 | - | - | 2,508,137 |
| Public works | 301,819 | - | - | 75,695 | 107,178 | 484,692 |
| Community and economic development | 203,824 | - | - | - | - | 203,824 |
| Culture and recreation | - | - | - | - | 137,314 | 137,314 |
| Capital outlay | 288,286 | 276,871 | 17,703 | - | 305,229 | 888,089 |
| Debt service | - | - | - | - | 35,000 | 35,000 |
| Total expenditures | <u>2,231,550</u> | <u>1,760,535</u> | <u>1,019,458</u> | <u>75,695</u> | <u>584,721</u> | <u>5,671,959</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>681,469</u> | <u>3,695</u> | <u>(235,775)</u> | <u>152,719</u> | <u>(36,599)</u> | <u>565,509</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | 6,000 | 99,650 | 600,000 | 239,000 | 944,650 |
| Transfers out | (944,650) | - | - | - | - | (944,650) |
| Net other financing sources (uses) | <u>(944,650)</u> | <u>6,000</u> | <u>99,650</u> | <u>600,000</u> | <u>239,000</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | <u>(263,181)</u> | <u>9,695</u> | <u>(136,125)</u> | <u>752,719</u> | <u>202,401</u> | <u>565,509</u> |
| FUND BALANCES - BEGINNING | <u>4,965,237</u> | <u>1,818,719</u> | <u>630,402</u> | <u>953,214</u> | <u>935,743</u> | <u>9,303,315</u> |
| FUND BALANCES - ENDING | <u>\$ 4,702,056</u> | <u>\$ 1,828,414</u> | <u>\$ 494,277</u> | <u>\$ 1,705,933</u> | <u>\$ 1,138,144</u> | <u>\$ 9,868,824</u> |

See notes to financial statements

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

Year ended December 31, 2015

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

| | |
|---|---------------------|
| Net change in fund balance - total governmental funds (page 14) | \$ 565,509 |
| Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because: | |
| Capital assets: | |
| Assets acquired | 915,810 |
| Provision for depreciation | (757,980) |
| Long-term obligations: | |
| Loan payment | 35,000 |
| Net change in liability for compensated absences | 1,000 |
| Changes in other assets/liabilities: | |
| Net increase in deferred revenue | <u>250,179</u> |
| Change in net position of <i>governmental activities</i> | <u>\$ 1,009,518</u> |

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2015

| | <u>Retiree Medical Trust</u> | <u>Agency</u> |
|---|--------------------------------------|---------------------|
| ASSETS | | |
| Cash | \$ - | \$ 4,676,576 |
| Investments | <u>247,909</u> | <u>-</u> |
| Total assets | 247,909 | <u>\$ 4,676,576</u> |
| LIABILITIES | | |
| Due to others | <u>107,123</u> | <u>\$ 4,676,576</u> |
| NET POSITION | | |
| Held in trust for retirees' health benefits | <u>\$ 140,786</u> | |

See notes to financial statements

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

December 31, 2015

| | <u>Retiree Medical Trust</u> |
|---------------------|--------------------------------------|
| DEDUCTIONS | |
| Investment loss | \$ 4,003 |
| Benefits paid | <u>6,448</u> |
| NET DECREASE | 10,451 |
| NET POSITION | |
| Beginning | <u>151,237</u> |
| Ending | <u><u>\$ 140,786</u></u> |

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements present the Township (the primary government) and the component units described below, located in Kalamazoo County. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and existence of a financial benefit or burden, and whether the financial statements would be misleading if data were not included.

Discretely presented component units:

Downtown Development Authority - The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district.

South Drake Road Corridor Improvement Authority - The Authority was established pursuant to Public Act 280 of 2005, as amended, to correct and prevent deterioration and promote economic growth within the corridor business district.

Government-wide and fund financial statements:

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for financial resources used for fire protection. Revenues are primarily derived from special assessments.

The Police Fund accounts for financial resources used for police protection. Revenues are primarily derived from special assessments.

The General Sewer Fund accounts for financial resources used for sewer facilities capital improvements and maintenance. Revenues are primarily derived from connection fees and special assessments.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports the following fiduciary fund types:

The Agency Fund accounts for the collection and disbursement of taxes and other monies due to other units of government and individuals. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Retiree Medical Trust Fund accounts for assets held to provide medical benefits to eligible retiree participants and their dependents.

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

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

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Investments - Investments are reported at fair value.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial, individual cost of greater than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

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

| | |
|----------------------------|---------------|
| Land improvements | 15 - 30 years |
| Buildings and improvements | 15 - 60 years |
| Equipment | 3 - 7 years |
| Infrastructure | 10 - 50 years |

Unearned revenue - Unearned revenue represents resources related to operating assessments which have not yet been earned, due to performance of service.

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. Included in this category are property taxes and special assessments revenues. Property tax revenue and special assessment, which are levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessment revenues, which are not available (collected later than 60 days after the end of the Township's fiscal year) are deferred in the governmental funds and recognized as an inflow of resources in the period that the revenues become available,

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

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

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed. Although the Township’s 2014 ad valorem tax was levied and collectible on December 1, 2014, it is the Township’s policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for general and special revenue funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

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

| <i>Fund</i> | <i>Function</i> | <i>Final budget</i> | <i>Actual</i> | <i>Variance</i> |
|-------------|-----------------------------|---------------------|---------------|-----------------|
| General | Public safety - inspections | \$ 19,360 | \$ 22,718 | \$ 3,358 |
| Police | Capital outlay | 7,500 | 17,703 | 10,203 |

NOTE 3 - CASH AND INVESTMENTS

Cash and investments, as presented in the accompanying financial statements, consisted of the following:

| | <u>Primary governmental activities</u> | <u>Component units</u> | <u>Fiduciary activities</u> | <u>Totals</u> |
|-------------|--|----------------------------|---------------------------------|----------------------|
| Cash | \$ 10,047,694 | \$ 613,491 | \$ 4,676,576 | \$ 15,337,761 |
| Investments | <u>1,071,545</u> | <u>-</u> | <u>247,909</u> | <u>1,319,454</u> |
| | <u>\$ 11,119,239</u> | <u>\$ 613,491</u> | <u>\$ 4,924,485</u> | <u>\$ 16,657,215</u> |

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2015, \$13,227,645 of the Township’s bank balances of \$15,977,645 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments, primary government and component unit - State statutes and the Township’s investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers’ acceptances; e) mutual funds, and f) investment pools organized under the local government investment pool act. The Township’s investments are subject to several risks: credit risk, concentration of credit risk, interest rate risk, and custodial credit risk. The Township’s investment policy does not address these risks.

The Township’s investments consist of holdings in the Cooperative Liquid Assets Securities System - Michigan (CLASS), a local investment pool established under Michigan state statutes for participating Michigan municipalities. The Cooperative Liquid Assets Securities System - Michigan (CLASS) is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. This pool, which is a nonrisk categorized qualifying investment, is carried at cost, plus allocated earnings, which approximates fair market value. The fair value of the Township’s position in the pool is the same as the value of its pool shares. The fund is rated AAAM by Standard and Poor’s; it is not subject to regulatory oversight; the pool issues a separate report, which is available at 15309 Meadowwood Drive, Grand Haven, Michigan, 49417.

Investments, retiree health plan - The investments of the Township’s other postemployment benefit (OPEB) trust fund are maintained separately from the Township’s pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the OPEB trust fund investments are presented separately.

NOTE 3 - CASH AND INVESTMENTS (Continued)

The Michigan Public Employees Retirement Systems’ Investment Act, Public Act 314 of 1965, as amended, authorizes the other postemployment benefit trust to invest in stocks, governmental and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitation. The Township Board has the responsibility and authority to oversee the investment portfolio. The Township has contracted the Municipal Employees’ Retirement System of Michigan (MERS) to assist in managing the OPEB trust fund’s assets. The investments are held by MERS, within its Retiree Health Funding Vehicle (RHFV), an employer savings trust that allows employers to advance fund their retiree healthcare liability. As a governmental plan, MERS is exempted by state and federal law from registration with the SEC. The funds held consist of portfolios of assets, in separate accounts, in a collective trust. Specific fund holdings at December 31, 2015, consisted of the following (measured at fair value):

| | | |
|-----------------------------|----|----------------|
| MERS Total Market Portfolio | \$ | 124,971 |
| MERS Est Market Portfolio | | <u>122,938</u> |
| | \$ | <u>247,909</u> |

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township’s OPEB investment policy require that investment securities be held in trust by a third-party institution, in the name of the benefit trust. The RHFV fund holdings are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical form.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments in mutual funds and qualified investment pools, including those within the RHFV, are not considered to have credit risk.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Township’s investment in a single holding. The Township’s OPEB investment policy places no limitations on the amount that can be invested in any one issuer.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment’s fair value due to changes in market interest rates. The Township’s OPEB investment policy has no specific limitations with respect to maturities of investments. The RHFV holdings have no maturities.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2015, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

Primary government:

Governmental:

| | | | | | |
|----------------|------------|------------|-----------|------------|------------|
| General | \$ 481,841 | \$ 189,669 | \$ 25,880 | \$ 283,838 | \$ 981,228 |
| Fire | - | - | 953,764 | - | 953,764 |
| Police | - | - | 509,162 | - | 509,162 |
| General Sewer | - | - | 196,249 | 8,110 | 204,359 |
| Nonmajor funds | - | - | 90,327 | 170,521 | 260,848 |

| | | | | | |
|--------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| Total governmental funds | <u>\$ 481,841</u> | <u>\$ 189,669</u> | <u>\$ 1,775,382</u> | <u>\$ 462,469</u> | <u>\$ 2,909,361</u> |
|--------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|

| | | | | | |
|--------------------|-------------|-------------|-------------------|-------------|-------------------|
| Noncurrent portion | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 217,703</u> | <u>\$ -</u> | <u>\$ 217,703</u> |
|--------------------|-------------|-------------|-------------------|-------------|-------------------|

Component units:

| | | | | | |
|---|-----------|------|------|-----------|-----------|
| Downtown Development Authority | \$ 37,123 | \$ - | \$ - | \$ 42,968 | \$ 80,091 |
| South Drake Road Corridor Improvement Authority | 3,687 | - | - | - | 3,687 |

| | | | | | |
|-----------------------|------------------|-------------|-------------|------------------|------------------|
| Total component units | <u>\$ 40,810</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 42,968</u> | <u>\$ 83,778</u> |
|-----------------------|------------------|-------------|-------------|------------------|------------------|

All receivables are considered fully collectible.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY FOUNDATION

The amount shown as beneficial interest in assets held by foundation represents monies placed with the Kalamazoo Community Foundation (the Foundation) by the Township, specifying itself as the beneficiary. The Foundation maintains variance power and legal ownership of such funds and, as such, continues to report the funds as assets of the Foundation, with a corresponding liability, the agency endowment fund. The Township reports this asset at the present value of future payments expected to be received.

The Foundation also holds monies, placed by donors for the benefit of the Township’s parks and recreation activities, to generate investment return that, based on the Foundation’s spending guidelines, can be made available to the Township. Such monies are not considered assets of the Township. At December 31, 2015, the Foundation held \$253,477 in this account.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Primary government: | | | | |
| Governmental activities: | | | | |
| Capital assets not being depreciated - | | | | |
| land | \$ 576,742 | \$ - | \$ - | <u>\$ 576,742</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 6,871,773 | 473,274 | - | 7,345,047 |
| Equipment | 1,465,375 | 125,187 | - | 1,590,562 |
| Vehicles | 2,708,955 | 161,697 | (28,000) | 2,842,652 |
| Infrastructure | <u>10,839,519</u> | <u>155,652</u> | <u>-</u> | <u>10,995,171</u> |
| Subtotal | <u>21,885,622</u> | <u>915,810</u> | <u>(28,000)</u> | <u>22,773,432</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (2,300,458) | (137,717) | - | (2,438,175) |
| Equipment | (913,225) | (162,097) | - | (1,075,322) |
| Vehicles | (1,083,230) | (139,273) | 28,000 | (1,194,503) |
| Infrastructure | <u>(1,494,582)</u> | <u>(318,893)</u> | <u>-</u> | <u>(1,813,475)</u> |
| Subtotal | <u>(5,791,495)</u> | <u>(757,980)</u> | <u>28,000</u> | <u>(6,521,475)</u> |
| Total capital assets being depreciated, net | <u>16,094,127</u> | <u>157,830</u> | <u>-</u> | <u>16,251,957</u> |
| Governmental activities capital assets, net | <u>\$ 16,670,869</u> | <u>\$ 157,830</u> | <u>\$ -</u> | <u>\$ 16,828,699</u> |
| Component unit - DDA: | | | | |
| Capital assets not being depreciated - | | | | |
| land | <u>\$ 293,595</u> | <u>\$ 31,968</u> | <u>\$ -</u> | <u>\$ 325,563</u> |

From time to time, the Township records capitalizable costs, as part of current expenditure functions, for purposes of administrative control. In 2015, capitalizable costs of the primary government of \$124,972 were reported within the public works function in the statement of revenues, expenditures, and changes in fund balance - governmental funds (page 14).

Depreciation expense was charged to governmental activities functions as follows:

| | |
|------------------------|-----------------------|
| General government | \$ 112,146 |
| Public safety | 266,439 |
| Public works | 292,567 |
| Culture and recreation | <u>86,828</u> |
| Total | <u>\$ 757,980</u> |

NOTE 7 - PAYABLES

Payables as of December 31, 2015, for the Township’s individual major funds and nonmajor funds, in the aggregate, were as follows:

| <u>Fund</u> | <u>Accounts</u> | <u>Accrued liabilities</u> | <u>Retentions payable</u> | <u>Deposits</u> | <u>Totals</u> |
|--------------------------------|-------------------|----------------------------|---------------------------|------------------|-------------------|
| Primary government: | | | | | |
| Governmental: | | | | | |
| General | \$ 154,336 | \$ 39,696 | \$ - | \$ 97,524 | \$ 291,556 |
| Fire | 76,162 | 28,721 | - | - | 104,883 |
| Police | 100 | 487 | - | - | 587 |
| General Sewer | 9,399 | - | - | - | 9,399 |
| Other governmental funds | <u>19,352</u> | <u>1,110</u> | <u>9,922</u> | <u>-</u> | <u>30,384</u> |
| Total governmental funds | <u>\$ 259,349</u> | <u>\$ 70,014</u> | <u>\$ 9,922</u> | <u>\$ 97,524</u> | <u>\$ 436,809</u> |
| Component unit: | | | | | |
| Downtown Development Authority | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100</u> |

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligation activity (excluding postemployment benefits other than pensions) for the year ended December 31, 2015, was as follows:

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Amounts due within one year</u> |
|-----------------------------|--------------------------|-------------------|---------------------|-----------------------|------------------------------------|
| Governmental activities: | | | | | |
| Compensated absences | \$ 35,150 | \$ 101,222 | \$ (102,222) | \$ 34,150 | \$ - |
| Land contract payable | <u>35,000</u> | <u>-</u> | <u>(35,000)</u> | <u>-</u> | <u>-</u> |
| Total long-term obligations | <u>\$ 70,150</u> | <u>\$ 101,222</u> | <u>\$ (137,222)</u> | <u>\$ 34,150</u> | <u>\$ -</u> |

The 2012 land contract was payable in three annual payments of \$35,000, at zero interest; final payment was made in June 2015.

NOTE 9 - PROPERTY TAXES

The 2014 taxable valuation of the Township approximated \$719,781,000, on which ad valorem taxes levied consisted of 0.9765 mills for operating purposes, raising approximately \$699,000. This amount is recognized in the General Fund financial statements as property tax revenue.

The 2015 taxable valuation of the Township approximated \$741,032,000, on which ad valorem taxes levied consisted of 0.9765 mills for operating purposes, raising approximately \$724,000. This amount is recognized in the General Fund financial statements as deferred inflows, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 10 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN

The Township and its employees contribute to the Township of Oshtemo Group Pension Plan, a defined contribution pension plan, which is administered by a third party administrator. The plan covers three classes of employees, as allowed under Internal Revenue Code Section 401(a). The first class of employees includes voluntary firefighters, the second class of employees includes all full-time or part-time employees, and the third class of employees includes elected officials.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes 4% of covered payroll to the second and third classes of qualifying employees. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits, and the Township also matches voluntary contributions made by officials, full-time employees, and permanent part-time employees, up to a limit of 4%. For the year ended December 31, 2015, the Township made the required and matching contribution of \$180,239 and eligible employees made contributions of \$54,820. At December 31, 2015, the Township reported an accrued liability of \$43,215 as part of the contributions to the plan.

The Township's contributions for each firefighter (and investment earnings allocated to the employee's account) are fully vested immediately, while contributions for participating full-time employees and officials are fully vested after two years of continuous service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN

Plan description:

The Township administers a single-employer defined benefit healthcare plan, which only covers retired members. The plan provides lifetime healthcare insurance for eligible retirees and their spouses for the life of the retiree. Plan expenses consist of reimbursement of individual policy premiums. Five individuals are eligible for post-employment health benefits under the current plan. The retiree health plan does not issue a publicly available financial report.

Funding policy:

The Township has the authority to establish the funding policy and to amend the obligations of both the Township and members.

For the year ended December 31, 2015, the Township contributed \$6,448 to the plan; no retiree contributions to fund future benefits were required.

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Annual OPEB cost and net OPEB obligation:

Through December 31, 2015, the Township's annual other postemployment benefit (OPEB) cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, was projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following schedule shows the components of the Township's annual OPEB cost for the year ended December 31, 2015, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation to the plan:

| | |
|---|--------------------|
| Annual required contribution (ARC) | \$ - |
| Interest on net OPEB obligation | 6,049 |
| ARC adjustment | <u>399</u> |
| Net OPEB cost (benefit) | 6,448 |
| Contributions made | <u>(6,448)</u> |
| Change in net OPEB obligation | - |
| Net OPEB obligation (asset) - beginning of year | <u>-</u> |
| Net OPEB obligation (asset) - end of year | <u><u>\$ -</u></u> |

The annual required contribution adjustment reflects the elimination of normal costs related to ongoing employment, unfunded actuarial liabilities, and projected future cost increases, as a result of the provisions of the Township's 2015 health insurance plan ordinance.

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 through 2015 were as follows:

| <u>Period</u> | <u>Annual OPEB cost cost (benefit)</u> | <u>Percentage of annual OPEB cost contributed</u> | <u>Net OPEB obligation (asset)</u> |
|---------------|--|---|--|
| 2013 | \$ 7,375 | 279.9% | \$ (28,018) |
| 2014 | 110,602 | 74.7% | - |
| 2015 | 6,448 | 100.0% | - |

NOTE 11 - DEFINED BENEFIT POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Funded status and funding progress:

The funded status of the plan for the most recent actuarial valuation date is as follows:

| <i>Valuation date, December 31,</i> | <i>Actuarial accrued liability (AAL) (a)</i> | <i>Market value of assets (b)</i> | <i>Unfunded AAL (UAAL) (a-b)</i> | <i>Funded ratio (b/a)</i> |
|---|--|---------------------------------------|--------------------------------------|-------------------------------|
| 2015 | \$ 140,786 | \$ 140,786 | \$ - | 100% |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial methods and assumptions:

The following simplifying assumptions were made:

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the Social Security Administration 2007 Period Actuarial Life Table.

Healthcare cost trend rate - The cost of benefits has been set at a maximum dollar amount of \$3,300 annually, per participant.

In the December 31, 2015, actuarial valuation, the GASB No. 45 alternative actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date.

NOTE 12 - DEFINED CONTRIBUTION POSTEMPLOYMENT HEALTHCARE SAVINGS PLAN

The Township established a non-contributory defined contribution plan (Retiree Health Care Defined Contribution Plan) in 2013 through which it provides retiree health insurance benefits to its employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible current employees began participating on the date the plan started and were given credit for each year employed by the Township since 2000 (up to 12 years), the date retiree healthcare benefits were initially provided by the Township. The plan covers all full-time employees. The plan is administered by MERS.

The Township contributed \$56,000 to the plan to fund the current year’s contribution for employees in 2015. All of the Township’s contributions for participating full-time employees and officials (and interest allocated to the participants’ accounts) are fully vested immediately.

NOTE 13 - INTERFUND BALANCES AND TRANSFERS

At the end of the fiscal year, the Park Fund owes the General Fund \$9,143. The balance represents temporary cash flow assistance.

A summary of interfund transfers for the year ended December 31, 2015, is as follows:

| <u>Fund</u> | <u>Transfers in</u> | <u>Fund</u> | <u>Transfers out</u> |
|---------------|---------------------|-------------|----------------------|
| Police | \$ 99,650 | General | <u>\$ 944,650</u> |
| Fire | 6,000 | | |
| General Sewer | 600,000 | | |
| Parks | <u>239,000</u> | | |
| Total | <u>\$ 944,650</u> | | |

The transfers to the Police, Parks, Fire, and General Sewer funds represent operating transfers to cover costs associated with police and fire protection, parks acquisitions and improvements, and sewer improvements in those funds.

NOTE 14 - JOINT VENTURE

The Township is a member of the Kalamazoo Area Building Authority (the Authority), which is a joint venture of the Charter Townships of Comstock, Kalamazoo, Oshtemo, and Cooper. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was established to administer and enforce the Michigan State Construction Code within its constituent municipalities. The Township of Oshtemo advanced \$68,000 (non-interest bearing) as its proportionate share of the Authority’s initial startup costs. As of the year ended December 31, 2015, \$5,737 of the advance is due to the Township from the Authority, subject to the Authority’s cash requirements. The Authority also owed the Township \$16,380 at year end for the reimbursement of professional fees. Complete audited financial statements for the Authority can be obtained by contacting the Authority at P.O. Box 292, Oshtemo, MI 49077.

The Township does not expect to receive residual equity from the joint venture. The Township is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

NOTE 15 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Township has been named in various litigation and claims during the year. Management and the Township's legal advisors do not believe that any known circumstances or ongoing claims will result in significant financial losses for the Township.

NOTE 16 - CONTINGENCIES

The Township has indicated there is potential to continue expansion of water service to additional township residents due to the previously closed KL Landfill. The Landfill has been capped and per prior judgments, outside entities have been named to be responsible for any clean-up related to the Landfill. However, the Township could have continued expenses in the future to install water service to its residents that are not already connected to the Township water lines. As of the date of the audit, expansion discussions are ongoing and likely, but no actual costs have been estimated.

NOTE 17 - PENDING ACCOUNTING PRONOUNCEMENT

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost, for financial reporting purposes. If an external investment pool meets the criteria, the pool's participants also should measure their investments in that external investment pool at amortized cost. This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost and for governments that participate in those pools. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The Township is currently evaluating the impact this Statement will have on the financial statements when adopted during the year ending December 31, 2016.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) the Township's own tax abatement agreements and (2) those that are entered into by other governments which reduce the Township's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Township is currently evaluating the impact this Statement will have on the financial statements when adopted during the year ending December 31, 2016.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 22, 2016 the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2015

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|---|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| Taxes | \$ 709,908 | \$ 706,408 | \$ 698,693 | \$ (7,715) |
| Licenses and permits | 227,700 | 233,200 | 237,705 | 4,505 |
| State grants | 1,798,341 | 1,798,341 | 1,699,621 | (98,720) |
| Charges for services | 35,735 | 40,235 | 98,673 | 58,438 |
| Interest and rentals | 6,800 | 6,800 | 8,465 | 1,665 |
| Other | 177,527 | 209,187 | 169,862 | (39,325) |
| Total revenues | <u>2,956,011</u> | <u>2,994,171</u> | <u>2,913,019</u> | <u>(81,152)</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| Legislative | 30,700 | 30,700 | 23,468 | 7,232 |
| Supervisor | 137,300 | 137,300 | 112,763 | 24,537 |
| Elections | 2,500 | 2,500 | 1,401 | 1,099 |
| Assessor | 195,500 | 197,500 | 235,748 | (38,248) |
| Clerk | 122,800 | 130,800 | 145,938 | (15,138) |
| Treasurer | 97,800 | 97,800 | 91,401 | 6,399 |
| Professional services | 251,750 | 251,750 | 181,402 | 70,348 |
| Cemetery, buildings, and grounds | 93,900 | 98,500 | 78,718 | 19,782 |
| General operations | 602,610 | 610,300 | 544,064 | 66,236 |
| Total general government | <u>1,534,860</u> | <u>1,557,150</u> | <u>1,414,903</u> | <u>142,247</u> |
| Public safety - inspections | <u>4,800</u> | <u>19,360</u> | <u>22,718</u> | <u>(3,358)</u> |
| Public works: | | | | |
| Highways and streets | 200,000 | 200,000 | 124,972 | 75,028 |
| Street lights | 139,075 | 139,075 | 125,614 | 13,461 |
| Waste collection | 42,000 | 48,000 | 51,233 | (3,233) |
| Total public works | <u>381,075</u> | <u>387,075</u> | <u>301,819</u> | <u>85,256</u> |
| Community and economic development - planning and zoning | <u>215,467</u> | <u>220,967</u> | <u>203,824</u> | <u>17,143</u> |

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2015

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| EXPENDITURES (Continued) | | | | |
| Capital outlay | \$ 1,517,909 | \$ 1,578,409 | \$ 288,286 | \$ 1,290,123 |
| Total expenditures | <u>3,654,111</u> | <u>3,762,961</u> | <u>2,231,550</u> | <u>1,531,411</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | <u>(698,100)</u> | <u>(768,790)</u> | <u>681,469</u> | <u>1,450,259</u> |
| OTHER FINANCING USES | | | | |
| Operating transfers out: | | | | |
| Police Fund | (36,900) | (99,650) | (99,650) | - |
| Fire Fund | (6,000) | (6,000) | (6,000) | - |
| General Sewer Fund | (600,000) | (600,000) | (600,000) | - |
| Parks Fund | <u>(147,000)</u> | <u>(239,000)</u> | <u>(239,000)</u> | <u>-</u> |
| Total other financing uses | <u>(789,900)</u> | <u>(944,650)</u> | <u>(944,650)</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | (1,488,000) | (1,713,440) | (263,181) | 1,450,259 |
| FUND BALANCES - BEGINNING | <u>4,965,237</u> | <u>4,965,237</u> | <u>4,965,237</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 3,477,237</u> | <u>\$ 3,251,797</u> | <u>\$ 4,702,056</u> | <u>\$ 1,450,259</u> |

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended December 31, 2015

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| REVENUES | | | | |
| Federal grant | \$ - | \$ - | \$ 38,156 | \$ 38,156 |
| Charges for services | 3,700 | 3,700 | 10,342 | 6,642 |
| Interest | 1,500 | 1,500 | 4,473 | 2,973 |
| Other: | | | | |
| Special assessments | 1,730,212 | 1,720,412 | 1,703,619 | (16,793) |
| Miscellaneous | - | - | 7,640 | 7,640 |
| Total revenues | <u>1,735,412</u> | <u>1,725,612</u> | <u>1,764,230</u> | <u>38,618</u> |
| EXPENDITURES | | | | |
| Public safety | 1,552,243 | 1,542,738 | 1,483,664 | 59,074 |
| Capital outlay | <u>262,550</u> | <u>315,075</u> | <u>276,871</u> | <u>38,204</u> |
| Total expenditures | <u>1,814,793</u> | <u>1,857,813</u> | <u>1,760,535</u> | <u>97,278</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (79,381) | (132,201) | 3,695 | 135,896 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in - General Fund | <u>6,000</u> | <u>6,000</u> | <u>6,000</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | (73,381) | (126,201) | 9,695 | 135,896 |
| FUND BALANCES - BEGINNING | <u>1,818,719</u> | <u>1,818,719</u> | <u>1,818,719</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 1,745,338</u> | <u>\$ 1,692,518</u> | <u>\$ 1,828,414</u> | <u>\$ 135,896</u> |

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Police Fund

Year ended December 31, 2015

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | | |
| Charges for services | \$ 14,000 | \$ 14,000 | \$ 19,760 | \$ 5,760 |
| Fines and forfeitures | 70,000 | 70,000 | 61,319 | (8,681) |
| Interest and rentals | 600 | 600 | 1,518 | 918 |
| Other - special assessments | 700,404 | 700,404 | 701,086 | 682 |
| Total revenues | <u>785,004</u> | <u>785,004</u> | <u>783,683</u> | <u>(1,321)</u> |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Administration | 35,100 | 39,600 | 54,124 | (14,524) |
| Police protection | 847,653 | 903,403 | 884,088 | 19,315 |
| Ordinance enforcement and parking violations | <u>95,900</u> | <u>95,900</u> | <u>63,543</u> | <u>32,357</u> |
| Total public safety | 978,653 | 1,038,903 | 1,001,755 | 37,148 |
| Capital outlay | <u>5,000</u> | <u>7,500</u> | <u>17,703</u> | <u>(10,203)</u> |
| Total expenditures | <u>983,653</u> | <u>1,046,403</u> | <u>1,019,458</u> | <u>26,945</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (198,649) | (261,399) | (235,775) | 25,624 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in - General Fund | <u>36,900</u> | <u>99,650</u> | <u>99,650</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | (161,749) | (161,749) | (136,125) | 25,624 |
| FUND BALANCES - BEGINNING | <u>630,402</u> | <u>630,402</u> | <u>630,402</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 468,653</u> | <u>\$ 468,653</u> | <u>\$ 494,277</u> | <u>\$ 25,624</u> |

Charter Township of Oshtemo

SCHEDULE OF FUNDING PROGRESS FOR THE POSTEMPLOYMENT HEALTHCARE PLAN

Year ended December 31, 2015

| <i>Valuation date, December 31,</i> | <i>Actuarial accrued liability (AAL) (a)</i> | <i>Market value of assets (b)</i> | <i>Unfunded AAL (UAAL) (a-b)</i> | <i>Funded ratio (b/a)</i> | <i>Covered payroll (c)</i> | <i>UAAL as a percentage of covered payroll ((a-b)/c)</i> |
|-------------------------------------|--|-----------------------------------|----------------------------------|---------------------------|----------------------------|--|
| 2010 | \$ 991,003 | \$ 252,116 | \$ 738,887 | 25% | \$ 1,152,923 | 64% |
| 2012 | 203,900 | 203,669 | 231 | 100% | N/A | N/A |
| 2013 | 192,256 | 220,274 | (28,018) | 115% | N/A | N/A |
| 2014 | 151,237 | 151,237 | - | 100% | N/A | N/A |
| 2015 | 140,786 | 140,786 | - | 100% | N/A | N/A |

Notes to schedule:

The actuarial liability for 2010 includes adjustments to reflect the coordination of plan benefits with Medicare supplement insurance and an increase in certain retiree contributions.

The actuarial liability for 2013 includes adjustments to reflect changes in the plan to exclude current employees and the limitation of retiree benefits to a defined amount.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2015

| | <u>Parks</u> | <u>General Water</u> | <u>Totals</u> |
|--|-------------------|--------------------------|---------------------|
| ASSETS | | | |
| Cash | \$ - | \$ 1,087,474 | \$ 1,087,474 |
| Beneficial interest of assets held at foundation | 28,826 | - | 28,826 |
| Receivables | <u>144,893</u> | <u>115,955</u> | <u>260,848</u> |
| Total assets | <u>\$ 173,719</u> | <u>\$ 1,203,429</u> | <u>\$ 1,377,148</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 30,284 | \$ 100 | \$ 30,384 |
| Due to other funds | <u>9,143</u> | <u>-</u> | <u>9,143</u> |
| Total liabilities | <u>39,427</u> | <u>100</u> | <u>39,527</u> |
| Deferred inflows of resources: | | | |
| Unavailable special assessment revenues | - | 84,584 | 84,584 |
| Unavailable grant revenues | <u>114,893</u> | <u>-</u> | <u>114,893</u> |
| Total deferred inflows of resources | <u>114,893</u> | <u>84,584</u> | <u>199,477</u> |
| Fund balances: | | | |
| Assigned for public works | - | 1,118,745 | 1,118,745 |
| Assigned for culture and recreation | <u>19,399</u> | <u>-</u> | <u>19,399</u> |
| Total fund balances | <u>19,399</u> | <u>1,118,745</u> | <u>1,138,144</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 173,719</u> | <u>\$ 1,203,429</u> | <u>\$ 1,377,148</u> |

Charter Township of Oshtemo

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

Year ended December 31, 2015

| | <u>Parks</u> | <u>General Water</u> | <u>Totals</u> |
|---|------------------|--------------------------|---------------------|
| REVENUES | | | |
| State grants | \$ 217,244 | \$ - | \$ 217,244 |
| Charges for services | - | 236,803 | 236,803 |
| Interest and rentals | 26,708 | 6,397 | 33,105 |
| Other | <u>12,440</u> | <u>48,530</u> | <u>60,970</u> |
| Total revenues | <u>256,392</u> | <u>291,730</u> | <u>548,122</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public works | - | 107,178 | 107,178 |
| Culture and recreation | 137,314 | - | 137,314 |
| Capital outlay | 305,229 | - | 305,229 |
| Debt service | <u>35,000</u> | <u>-</u> | <u>35,000</u> |
| Total expenditures | <u>477,543</u> | <u>107,178</u> | <u>584,721</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | (221,151) | 184,552 | (36,599) |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in - General Fund | <u>239,000</u> | <u>-</u> | <u>239,000</u> |
| NET CHANGES IN FUND BALANCES | 17,849 | 184,552 | 202,401 |
| FUND BALANCES - BEGINNING | <u>1,550</u> | <u>934,193</u> | <u>935,743</u> |
| FUND BALANCES - ENDING | <u>\$ 19,399</u> | <u>\$ 1,118,745</u> | <u>\$ 1,138,144</u> |

Charter Township of Oshtemo

BALANCE SHEET - component units

December 31, 2015

| | <u>Downtown Development Authority</u> | <u>South Drake Road Corridor Improvement Authority</u> |
|---|--|---|
| ASSETS | | |
| Cash | \$ 604,344 | \$ 9,147 |
| Receivables | <u>80,091</u> | <u>3,687</u> |
| Total assets | <u><u>\$ 684,435</u></u> | <u><u>\$ 12,834</u></u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| Liabilities - payables | \$ 100 | \$ - |
| Deferred inflows of resources - property tax revenues levied for the subsequent year | 50,528 | 4,278 |
| Fund balance - unassigned | <u>633,807</u> | <u>8,556</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u><u>\$ 684,435</u></u> | <u><u>\$ 12,834</u></u> |
| Reconciliation of the balance sheet to the statement of net position: | | |
| Total fund balances - <i>component units</i> | \$ 633,807 | \$ 8,556 |
| Amounts reported for the <i>component units</i> in the statement of net position (page 11) are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | <u>325,563</u> | <u>-</u> |
| Net position of <i>component units</i> | <u><u>\$ 959,370</u></u> | <u><u>\$ 8,556</u></u> |

Charter Township of Oshtemo

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - component units

Year ended December 31, 2015

| | <u>Downtown Development Authority</u> | <u>South Drake Road Corridor Improvement Authority</u> |
|---|---|--|
| REVENUES | | |
| Property taxes | \$ 120,661 | \$ 8,556 |
| Interest | <u>1,202</u> | <u>-</u> |
| Total revenues | <u>121,863</u> | <u>8,556</u> |
| EXPENDITURES | | |
| Current - public works | 39,795 | - |
| Capital outlay | <u>3,701</u> | <u>-</u> |
| Total expenditures | <u>43,496</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | 78,367 | 8,556 |
| FUND BALANCES - BEGINNING | <u>555,440</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u><u>\$ 633,807</u></u> | <u><u>\$ 8,556</u></u> |
| Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities: | | |
| Net changes in fund balances - <i>component units</i> | \$ 78,367 | \$ 8,556 |
| Amounts reported for the <i>component units</i> in the statement of activities (page 12) are different because: | | |
| Capital assets - acquisitions | <u>31,968</u> | <u>-</u> |
| Changes in net position of <i>component units</i> | <u><u>\$ 110,335</u></u> | <u><u>\$ 8,556</u></u> |

Charter Township of Oshtemo

BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority - component unit

Year ended December 31, 2015

| | <u>Original budget</u> | <u>Final budget</u> | <u>Actual</u> | <u>Variance with final budget positive (negative)</u> |
|-------------------------------------|----------------------------|-------------------------|-------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 73,997 | \$ 73,997 | \$ 120,661 | \$ 46,664 |
| Interest | <u>300</u> | <u>300</u> | <u>1,202</u> | <u>902</u> |
| Total revenues | <u>74,297</u> | <u>74,297</u> | <u>121,863</u> | <u>47,566</u> |
| EXPENDITURES | | | | |
| Public works | 54,297 | 54,297 | 39,795 | 14,502 |
| Capital outlay | <u>20,000</u> | <u>20,000</u> | <u>3,701</u> | <u>16,299</u> |
| Total expenditures | <u>74,297</u> | <u>74,297</u> | <u>43,496</u> | <u>30,801</u> |
| NET CHANGES IN FUND BALANCES | - | - | 78,367 | 78,367 |
| FUND BALANCES - BEGINNING | <u>555,440</u> | <u>555,440</u> | <u>555,440</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 555,440</u> | <u>\$ 555,440</u> | <u>\$ 633,807</u> | <u>\$ 78,367</u> |