



Township of Gaines
Audited Financial Statements
March 31, 2019

Prepared by Taylor & Morgan, P.C.

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TOWNSHIP OF GAINES

GENESEE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Paul Fortino
Supervisor

Michael Dowler
Clerk

Diane Hyrman
Treasurer

Lee Purdy
Trustee

Matthew Moros
Trustee

TOWNSHIP OF GAINES
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Independent Auditor's Report

August 23, 2019

Township Board
Township of Gaines
Genesee County, Michigan

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 the Township of Gaines as of and for the year ended March 31, 2019, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 assessment, 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Gaines as of March 31, 2019 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

As management of the Township of Gaines (the "Township"), we offer readers this narrative overview and analysis of the financial activities for the fiscal year ended March 31, 2018. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2019.

- The Township's revenue base remains stable.
- The Township is increasing its general fund fund balance by \$52,395.
- The Township's last year for Police Funding of .5 mills, which was levied in 2013 for 5 years.
- The Township was able to increase road maintenance from the 2017-2018 fiscal year.
- The Township increase code enforcement compliance that resulted in an increase in reimbursed expenses.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Gaines as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about the activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the cash of the Township, assets exceeded liabilities and deferred inflows of resources by \$5,391,604 at the close of the most recent fiscal year.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Township's Net Position

The following table shows, in condensed format, the net position of the Governmental Activities as of the current date and compared to the prior year:

	<u>Governmental Activities</u>			
	March 31, <u>2019</u>	March 31, <u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 1,648,252	\$ 1,455,063	\$ 193,189	13.3%
Investments	72,911	70,835	2,076	2.9
Receivables	596,958	788,357	(191,399)	(24.3)
Other assets	-	27,219	(27,219)	(100.0)
Capital assets (net)	<u>715,653</u>	<u>811,171</u>	<u>(95,518)</u>	(11.8)
Total assets	3,033,774	3,152,645	(118,871)	(3.8)
Liabilities				
Current liabilities	7,112	6,939	173	2.5
Noncurrent liabilities:				
Due within one year	39,479	38,561	918	2.4
Due in more than one year	<u>40,704</u>	<u>80,183</u>	<u>(39,479)</u>	(49.2)
Total liabilities	87,295	125,683	(38,388)	(30.5)
Deferred Inflows of Resources	<u>86,458</u>	<u>101,170</u>	<u>(14,712)</u>	(14.5)
Net Position				
Net investment in capital assets	715,653	811,171	(95,518)	(11.8)
Restricted	727,002	610,153	116,849	19.2
Unrestricted	<u>1,417,366</u>	<u>1,504,468</u>	<u>(87,102)</u>	(5.8)
Total net position	<u>\$ 2,860,021</u>	<u>\$ 2,925,792</u>	<u>\$ (65,771)</u>	(2.2)%

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Business-type Activities – Water and Waste Funds

	March 31, <u>2019</u>	March 31, <u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and other assets:				
Cash and investments:				
Cash and cash equivalents	\$ 439,141	\$ 210,773	\$ 228,368	100.1%
Investments	1,007,894	1,106,121	(98,227)	(8.9)
Receivables	52,698	48,161	4,537	9.4
Capital assets (net)	<u>1,237,682</u>	<u>1,260,577</u>	<u>(22,895)</u>	(1.8)
Total assets	2,737,415	2,625,632	111,783	(4.3)
Liabilities				
Current liabilities	<u>205,832</u>	<u>205,832</u>	-	-
Total liabilities	205,832	205,832	-	-
Net Position				
Net investment in capital assets	1,237,682	1,260,577	(22,895)	(1.8)
Unrestricted	<u>1,293,901</u>	<u>1,159,223</u>	<u>134,678</u>	11.6
Total net position	<u>\$ 2,531,583</u>	<u>\$ 2,419,800</u>	<u>\$ 111,783</u>	4.6%

Total governmental net position decreased approximately 2 percent from a year ago – decreasing from \$2,925,792 to \$2,860,021. In contrast, there was an approximate 4 percent increase in net position during the previous year ended March 31, 2018.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased \$87,102 for the governmental activities. This represents a decrease of approximately 6 percent. The current level of unrestricted net position for our governmental activities stands at \$1,417,366, or about 101 percent of expenditures.

The Township's business-type activities consist of the Water and Waste Funds. Both water and sewage services are purchased from Genesee County, Michigan.

The net position of business-type activities increased 5 percent from a year ago - increasing from \$2,419,800 to \$2,531,583.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, increased \$134,678 for the Water and Waste Funds. This represents an increase of 12 percent. The current level of unrestricted net position for the Water and Waste Funds is \$1,293,901.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Township's Changes in Net Position

	<u>Governmental Activities</u>			
	March 31, <u>2019</u>	March 31, <u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 392,879	\$ 367,752	\$ 25,127	6.8%
Operating grants	13,200	10,948	2,252	20.6
Capital grants	5,800	32,982	(27,182)	(84.4)
General revenue:				
Taxes	343,811	446,811	(103,000)	(23.1)
Intergovernmental	556,330	540,958	15,372	2.8
Investment earnings	3,132	570	2,562	449.5
Other revenue	<u>55,474</u>	<u>62,435</u>	<u>(6,961)</u>	(11.1)
Total revenue	1,370,626	1,462,456	(91,830)	(6.3)
Expenses				
General government	362,386	298,305	64,081	21.5
Public safety	391,453	415,779	(24,326)	(5.9)
Public works	672,919	584,986	87,933	15.0
Other	<u>9,639</u>	<u>17,620</u>	<u>(7,981)</u>	(45.3)
Total expenses	<u>1,436,397</u>	<u>1,316,690</u>	<u>119,707</u>	9.1
Change in Net Position	<u>\$ (65,771)</u>	<u>\$ 145,766</u>	<u>\$ (211,537)</u>	(145.1)%

Business-type Activities – Water and Waste Funds

	March 31, <u>2019</u>	March 31, <u>2018</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Program revenue:				
Charges for services	\$ 599,079	\$ 561,826	\$ 37,253	6.6%
General revenue:				
Investment earnings	<u>32,731</u>	<u>1,196</u>	<u>31,535</u>	2636.7
Total revenue	631,810	563,022	68,788	12.2
Expenses	<u>520,027</u>	<u>510,749</u>	<u>9,278</u>	1.8
Change in Net Position	<u>\$ 111,783</u>	<u>\$ 52,273</u>	<u>\$ 59,510</u>	113.8%

The Township's total governmental revenue had a 6.3 percent decrease of \$91,830. A major contributing factor to this decrease includes the decrease in special assessment revenue for mosquito control of \$75,503.

Expenditures increased \$119,707 during the year. This increase was due to an addition of a code enforcement officer and an increase in expenditures for road projects.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

The Township's business-type activities experienced an increase in total revenue of 12.2%. This was mainly due to an increase in receiving tap in fees from increased building activity and interest income.

During the year ended March 31, 2018, the Township passed on the increases in water rates from Genesee County, Michigan to our customers. There were no increases to the sewer rates. The Township is not anticipating more increases from Genesee County in the near future.

The Township of Gaines' Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about individual funds, not the Township as a whole. The Township's major funds consist of the General Fund, Waste and Refuse Fund, Capital Projects Fund, and Water and Waste Funds.

For the year ended March 31, 2019, governmental funds revenue exceeded its expenditures, increasing fund balance by \$139,025. This increase was a combination of a \$49,395 increase in the General Fund, a \$4,333 decrease in the Waste and Refuse Fund, and a \$93,963 increase in the Capital Projects Fund. The increase in the General Fund was primarily due to prudent budgeting and spending.

General Fund Budgetary Highlights

General Fund actual revenue of \$1,074,282 exceeded budgeted revenue of \$967,197 by \$107,085. This variance is attributed to an overall conservative approach to the budgeted revenue line items.

General Fund actual expenditures of \$1,024,887 were less than budgeted expenditures of \$1,146,056 by \$121,169. This favorable budget variance was due to overall conservative spending habits in all of the departments.

Capital Assets and Debt Administration

At the end of fiscal year 2019, the Township had \$715,653 in governmental activities and \$1,237,682 in business-type activities for a total \$1,953,335 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines (see Note 10). In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan Law, which makes these roads the property of the Genesee County Road Commission (along with the responsibility to maintain them).

During the 2011-2012 fiscal year, the Township entered into an agreement with Genesee County to replace seven large culverts located within the Township. The County issued bonds to complete the project and is passing 25% of the cost onto the Township in the form of an installment loan requiring annual payments through 2020. The total principal and interest balance to be paid on the loan as of March 31, 2019 was \$53,839 and will be paid out of the Capital Projects Fund over the next two years.

Economic Factors and Next Year's Budgets and Rates

The Township approved a balanced budget for the year ending March 31, 2020 with revenues and expenditures of \$946,750. This was completed without the .5 mill Police Millage that expired November 2018. In addition, the moving of the Road Maintenance projects for the 2019-2020 fiscal year from the General Fund to the Road Improvement Fund helped accomplish this. The Township Board has authorized language to appear on the November 2019 election ballot that would provide funding for the Police Department operations. This would replace the expired Police Millage that provided an estimated \$80,000 per year. The new funding for Police Department operations would be levied as a Special Assessment on the winter tax bill for an amount of \$115. The Special Assessment is estimated to provide \$303,000 in the first year. Without this funding, there will be additional pressure on the budget to maintain the current level of Police services. The Township also has continued to increase road maintenance for 2019-2020. With additional road funding coming from the State of Michigan, Genesee County Road Commission is distributing this additional funding through its 50/50 program. This in turn has increased our amount of funding required to match Genesee County. This is expected to continue for the 2020-2021 fiscal year also.

**Township of Gaines
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

Contacting the Township of Gaines Management

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

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF GAINES
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,648,252	\$ 439,141	\$ 2,087,393
Investments	72,911	1,007,894	1,080,805
Due from other funds	205,832	-	205,832
Receivables (net)	391,126	52,698	443,824
Capital assets (net)	715,653	1,237,682	1,953,335
Total assets	3,033,774	2,737,415	5,771,189
Liabilities			
Accounts payable	7,112	-	7,112
Due to other funds	-	205,832	205,832
Current portion of bond principal	39,479	-	39,479
Noncurrent liabilities:			
Due in more than one year	40,704	-	40,704
Total liabilities	87,295	205,832	293,127
Deferred inflow of resources			
Property taxes levied for the following year	54,866	-	54,866
Bond interest	31,592	-	31,592
Total deferred inflow of resources	86,458	-	86,458
Invested in capital assets, net of related debt	715,653	1,237,682	1,953,335
Restricted	727,002	-	727,002
Unrestricted	1,417,366	1,293,901	2,711,267
Total net position	\$ 2,860,021	\$ 2,531,583	\$ 5,391,604

TOWNSHIP OF GAINES
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Functions/Programs:							
Primary government							
General government	\$ 362,386	\$ 70,795	\$ -	\$ -	\$ (291,591)	\$ -	\$ (291,591)
Public safety	391,453	-	5,800	13,200	(372,453)	-	(372,453)
Public works	672,919	322,084	-	-	(350,835)	-	(350,835)
Other	9,639	-	-	-	(9,639)	-	(9,639)
Total governmental activities	1,436,397	392,879	5,800	13,200	(1,024,518)	-	(1,024,518)
Business-type activities							
Water and waste	520,027	559,656	39,423	-	-	79,052	79,052
Total primary government	\$ 1,956,424	\$ 952,535	\$ 45,223	\$ 13,200	(1,024,518)	79,052	(945,466)
General revenues							
Property tax					312,827	-	312,827
Special assessments					30,984	-	30,984
State-shared revenues					556,330	-	556,330
Investment earnings					3,132	32,731	35,863
Franchise fees					45,573	-	45,573
Miscellaneous					9,901	-	9,901
Total general revenues					958,747	32,731	991,478
Change in net position					(65,771)	111,783	46,012
Net position - beginning of year, restated					2,925,792	2,419,800	5,345,592
Net position - end of year					\$ 2,860,021	\$ 2,531,583	\$ 5,391,604

**TOWNSHIP OF GAINES
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2019**

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 921,250	\$ 391,343	\$ 335,659	\$ 1,648,252
Investments	72,911	-	-	72,911
Receivables				
Delinquent taxes	21,661	21,137	4,447	47,245
Special assessments	227,169	-	-	227,169
Due from other funds	205,832	-	-	205,832
Due from other governments	85,120	-	-	85,120
Total assets	\$ 1,533,943	\$ 412,480	\$ 340,106	\$ 2,286,529
 <u>Liabilities</u>				
Accounts payable	\$ 7,112	\$ -	\$ -	\$ 7,112
Total liabilities	7,112	-	-	7,112
 <u>Deferred Inflow of Resources</u>				
Property taxes levied for following year	54,866	-	-	54,866
Unavailable revenue	248,830	21,137	4,447	274,414
Total deferred inflow of resources	303,696	21,137	4,447	329,280
 <u>Fund Equity</u>				
Non-Spendable	-	-	-	-
Restricted	-	391,343	335,659	727,002
Assigned	367,903	-	-	367,903
Unassigned	855,232	-	-	855,232
Total fund equity	1,223,135	391,343	335,659	1,950,137
Total liabilities and fund equity	\$ 1,533,943	\$ 412,480	\$ 340,106	\$ 2,286,529

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2019**

Total governmental fund balances	\$	1,950,137
Amounts reported for governmental activities in the statement of net position are different because:		
Bond interest subsidy is reported as a receivable in the statement of net position, but reported in the governmental funds when earned.		31,592
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$ 2,065,891	
Accumulated depreciation	<u>(1,350,238)</u>	715,653
Deferred revenue for special assessment receivables are reported as liabilities in the governmental funds and as revenue or other financing sources in the statement of activities.		227,169
Revenue for delinquent taxes collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.		47,245
Bonded debt is reported as a liability in the statement of net position when the debt is incurred and as an expenditure in the governmental funds as the debt payments are made.		(80,183)
Deferred bond interest is reported as a liability in the statement of net position, but reported in the governmental funds when earned.		<u>(31,592)</u>
Total net position - governmental activities	\$	<u><u>2,860,021</u></u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 243,263	\$ -	\$ -	\$ 243,263
Special assessments	57,952	322,084	121,807	501,843
Fees and permits	116,368	-	-	116,368
Intergovernmental	556,330	-	-	556,330
Administrative services	68,628	-	-	68,628
Grant income	9,000	-	-	9,000
Fire contract	10,000	-	-	10,000
Interest	2,968	88	76	3,132
Miscellaneous	9,773	128	-	9,901
	<u>1,074,282</u>	<u>322,300</u>	<u>121,883</u>	<u>1,518,465</u>
Total revenues				
Expenditures				
General government	337,825	-	-	337,825
Public works	356,927	326,633	27,920	711,480
Fire protection	149,636	-	-	149,636
Police protection	170,860	-	-	170,860
Other	9,639	-	-	9,639
	<u>1,024,887</u>	<u>326,633</u>	<u>27,920</u>	<u>1,379,440</u>
Total expenditures				
Excess/(deficiency) of revenues ove/(under) expenditures	<u>49,395</u>	<u>(4,333)</u>	<u>93,963</u>	<u>139,025</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	49,395	(4,333)	93,963	139,025
Fund balance - beginning of year, restated	<u>1,173,740</u>	<u>395,676</u>	<u>241,696</u>	<u>1,811,112</u>
Fund balance - end of year	<u>\$ 1,223,135</u>	<u>\$ 391,343</u>	<u>\$ 335,659</u>	<u>\$ 1,950,137</u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF GAINES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019

Total net change in fund balances - governmental funds \$ 139,025

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$	8,434	
Depreciation expense		<u>(103,952)</u>	(95,518)

Governmental funds report payments received on special assessment districts as revenue when received. However, in the statement of activities, these revenues are recorded when they are earned. (148,775)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement activities (where it reduces long-term debt). 38,561

Revenues are recorded in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end. 936

Change in net position of governmental activities \$ (65,771)

TOWNSHIP OF GAINES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS-WATER AND WASTE FUNDS
MARCH 31, 2019

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 248,222	\$ 190,919	\$ 439,141
Investments	536,490	471,404	1,007,894
Accounts receivable	52,698	-	52,698
Property and equipment - net	<u>-</u>	<u>1,237,682</u>	<u>1,237,682</u>
Total assets	837,410	1,900,005	2,737,415
<u>Liabilities</u>			
Due to other funds	<u>205,832</u>	<u>-</u>	<u>205,832</u>
Total liabilities	205,832	-	205,832
<u>Net Position</u>			
Invested in capital assets	-	1,237,682	1,237,682
Unassigned	<u>631,578</u>	<u>662,323</u>	<u>1,293,901</u>
Total net position	<u>\$ 631,578</u>	<u>\$ 1,900,005</u>	<u>\$ 2,531,583</u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS-WATER AND WASTE FUNDS
FOR THE YEAR ENDED MARCH 31, 2019

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 559,656	\$ -	\$ 559,656
Total operating revenues	559,656	-	559,656
Operating expenses			
Depreciation	-	22,895	22,895
Pump maintenance	35,298	-	35,298
County sewer charges	122,309	-	122,309
County water charges	332,084	-	332,084
Other fees	7,441	-	7,441
Total operating expenses	497,132	22,895	520,027
Operating income/(loss)	62,524	(22,895)	39,629
Non-operating revenues/(expenses)			
Interest income	15,508	17,223	32,731
Total non-operating revenues/(expenses)	15,508	17,223	32,731
Income/(loss) before capital contributions	78,032	(5,672)	72,360
Capital Contributions-Tap in fees	-	39,423	39,423
Change in net position	78,032	33,751	111,783
Net position - beginning of year	553,546	1,866,254	2,419,800
Net position - end of year	\$ 631,578	\$ 1,900,005	\$ 2,531,583

The notes to the financial statements are an integral part of this statement.

**TOWNSHIP OF GAINES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS-WATER AND WASTE FUND
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 555,119	\$ 39,423	\$ 594,542
Payments to suppliers	<u>(497,132)</u>	<u>-</u>	<u>(497,132)</u>
Net cash provided/(used) by operating activities	57,987	39,423	97,410
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments to/from other funds	-	-	-
Bond obligation payments to county	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided/(used) by capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments	-	130,644	130,644
Interest received	<u>233</u>	<u>81</u>	<u>314</u>
Net cash provided/(used) by investing activities	<u>233</u>	<u>130,725</u>	<u>130,958</u>
Net increase/(decrease) in cash and cash equivalents	58,220	170,148	228,368
Cash and cash equivalents - beginning of year	<u>190,002</u>	<u>20,771</u>	<u>210,773</u>
Cash and cash equivalents - end of year	\$ <u><u>248,222</u></u>	\$ <u><u>190,919</u></u>	\$ <u><u>439,141</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Operating income	\$ 62,524	\$ (22,895)	\$ 39,629
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	22,895	22,895
Decrease/(Increase) in accounts receivable	(4,537)	-	(4,537)
(Decrease)/Increase in accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided/(used) by operating activities	\$ <u><u>57,987</u></u>	\$ <u><u>-</u></u>	\$ <u><u>57,987</u></u>

The notes to the financial statements are an integral part of this statement.

TOWNSHIP OF GAINES
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2019

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>6,670</u>
Total assets	\$ <u><u>6,670</u></u>
<u>Liabilities</u>	
Due to other governmental units	\$ <u>6,670</u>
Total liabilities	\$ <u><u>6,670</u></u>

The notes to the financial statements are an integral part to this statement.

NOTES TO FINANCIAL STATEMENTS

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Gaines (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:

Reporting entity

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that its members are selected by the people in a general election. In addition to having an elected board, a primary government must be both a legally separate and a fiscally independent entity. Thus, Gaines Township qualifies as the "primary government" for financial reporting purposes. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The basic criterion of financial accountability is: the primary government is accountable for and able to impose its will upon the potential component unit.

Fund Accounting

The Township accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The Township reports the following funds as "major" governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. It includes Waste and Refuse activities as well as capital projects of the Township.
- The Waste and Refuse Fund accounts for special assessments that are restricted for sanitation services.
- The Capital Projects Fund accounts for special assessments and other revenue that is restricted for capital asset and infrastructure improvements.

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the Township). The Township reports the following funds as “major” enterprise funds:

- The Water and Waste-Usage Fund accounts for the cost of collection and treating of waste waters.
- The Water and Waste-Tap In Fund accounts for tap in fees received, depreciation of water and sewer lines and payments of bonded debt.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government’s programs. Activities that are reported as fiduciary include the following fund:

- The Tax Collection Fund, which collects taxes on behalf of all the taxing authorities (State, County, School District, Township, and the other various smaller authorities) and remits the taxes to each authority.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Township considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, capital-type special assessments will be collected over a 5-year period; receivables have been recorded for these, along with a “deferred inflow of resources”.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Interfund Activity

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Report Presentation

Government accounting principles require that financial reports include two different perspectives—the government-wide perspective and the fund-based perspective. 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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 properly excluded from program revenue are reported as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Property tax revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Unpaid property taxes become a lien on the property on March 1 of the second year following the year of the levy.

The Township's 2018 ad valorem tax is levied and collectible on December 1, 2018, and is recognized as revenue in the year ended March 31, 2019, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Gaines Township is \$185,530,989, on which the ad valorem tax levy consisted of .8247 mills for operating purposes and .4879 mills for police operations. This resulted in \$243,263 of revenue, which was recognized in the General Fund.

The township bills and collects its own property taxes and also taxes for the school districts of Swartz Creek, Linden, and Durand, and for Genesee County. Collection on all taxes and remittance of them to the various taxing jurisdictions are accounted for in the tax collections fund. Township property tax revenues are recognized when levied.

Specific Balances and Transactions

Cash and cash equivalents – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Investments - Certificates of deposit with a maturity date of greater than three months at the time of purchase are recorded as investments on the financial statements. Investments are stated at fair value.

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.

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land improvements	10 to 20 years
Sewer system	50 to 75 years
Building and building improvements	25 to 40 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source", as well as bond premiums and discounts. The General Fund is generally used to liquidate governmental long-term debt.

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

Deferred Inflows of Resources-In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three types of items that qualify for reporting in this category:

- Unavailable revenue represents special assessments and delinquent taxes not received within sixty days of year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Unavailable revenue is only reported in the governmental funds balance sheet.
- Property taxes levied for the following year represent special assessments and property taxes collected by the Township prior to year end but are used to fund the future year's operations. Property taxes levied for the following year are reported in the governmental funds and the government-wide statements.
- Bond interest represents an interest subsidy received on the 2010 Recovery Zone Bond. The total amount of the subsidy is amortized and recognized as an inflow of resources in the period the amounts become available. Bond interest is reported in the government-wide statements.

Net Position

Net position of the Township is classified in three components. Net investment in capital assets-net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable or nonexpendable. Expendable restricted net position has been limited for use by donors and as held in trust for debt service and self-insured professional liability. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total amount 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 assumptions must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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.

Fund Balance Policies

In the fund financial statements, governmental funds report the following components of fund balance:

- Non-spendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- Committed: Amounts that have been formally set aside by the Township for use for specific purposes. Commitments are made and can be rescinded only via resolutions of the Township board.
- Assigned: Intent to spend resources on specific purposes expressed by the governing body. Assignments must be authorized by resolution and approved by the governing body. The Township has the following fund equity balances assigned at March 31, 2018:

Fire Depreciation	\$ 66,389
Police Depreciation	895
Building and Site	<u>300,619</u>
Total Assigned Fund Equity	<u>\$367,903</u>

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

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. Actual results could differ from those estimates.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of tap in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves the accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Township is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Township's financial statements for the year ending March 31, 2021.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with the statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Township had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted- average Maturity (Years)</u>
Negotiable certificates of deposit	\$ 100,445	.07
Negotiable certificates of deposit	99,359	.06
Negotiable certificates of deposit	98,223	.06
Negotiable certificates of deposit	99,980	.10
Negotiable certificates of deposit	237,274	.31
Negotiable certificates of deposit	99,543	.13
Negotiable certificates of deposit	99,253	.15
U.S. Government Bonds	<u>246,728</u>	.55
Total	<u>\$1,080,805</u>	

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS-(continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Negotiable certificates of deposit	\$ 100,445	A-	Fitch
Negotiable certificates of deposit	99,359	N/A	N/A
Negotiable certificates of deposit	98,223	N/A	N/A
Negotiable certificates of deposit	99,980	Aa1	Moody's
Negotiable certificates of deposit	237,274	N/A	N/A
Negotiable certificates of deposit	99,543	N/A	N/A
Negotiable certificates of deposit	99,253	Aa1	Moody's
U.S. Government Bonds	<u>246,728</u>	AAA	Moody's
Total	<u>\$1,080,805</u>		

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At March 31, 2019, the Township had \$1,753,636 of its deposit balances (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

The Township places no limit on the amount it may invest in any one issuer.

NOTE 3-FAIR VALUE MEASUREMENT

The Township categorizes its fair value measurements within the fair value 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances whereby inputs used to measure fair value fall into different levels in the above hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Township's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of March 31, 2019 the Township had negotiable certificates of deposit of \$834,077 that were valued using quoted market prices (Level 1 inputs).

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES

As of March 31, 2019, the following special assessments for paving projects were still outstanding:

Baldwin Road	\$ 35,174
Oakwood Subdivision	<u>191,995</u>
Total	<u>\$ 227,169</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances as of March 31, 2019 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$205,832	\$ -
Water & Sewer Usage	<u>-</u>	<u>205,832</u>
Total	<u>\$205,832</u>	<u>\$205,832</u>

These balances are the result of transfers made between the General Fund and the Water and Sewer Usage fund.

NOTE 6 - DEFERRED INFLOWS OF RESOURCES

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	<u>Governmental Funds</u>	<u>Governmental Activities</u>
Property taxes levied for the following year	\$ 54,866	\$ 54,866
Unavailable revenue	<u>274,414</u>	<u>-</u>
Total deferred inflows	<u>\$ 329,280</u>	<u>\$ 54,866</u>

NOTE 7 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for all its insurance needs.

NOTE 8 - PENSION PLAN

The Township has a qualified, contributory defined contribution pension plan covering elected officials and eligible employees. Eligible employees are those who work 40 hours per week on a regular basis. Burnham & Flower Insurance Group administers the plan, which was adopted by the Township board on March 6, 1991. Under the plan, the Township's contribution amounts to 10% of all eligible employees' annual compensation. Compensation is defined as the basic annual rate of pay in effect at the beginning of the plan year. For the year ended March 31, 2019, actual Township contributions totaled \$9,401. Participant plan contributions begin immediately with no waiting period for vesting. The plan is referred to as a money purchase pension plan and is not insured by the Pension Benefit Guaranty Corporation (PBGC).

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 9 - BUILDING AND SIMILAR FEES

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency, and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund. The Township of Gaines complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended March 31, 2019 are as follows:

Revenues	\$48,757
Expenditures	\$30,525

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 10 - CAPITAL ASSETS

Summary of capital asset transactions of the primary government:

	<u>Balance</u> <u>April 1, 2018</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>March 31, 2019</u>
Governmental activities				
Land & improvements	\$ 19,775	\$ -	\$ -	\$ 19,775
Buildings & additions	449,558	-	-	449,558
Furniture & equipment	440,420	8,434	-	448,854
Fire trucks & other vehicles	<u>1,147,704</u>	<u>-</u>	<u>-</u>	<u>1,147,704</u>
Subtotal	2,057,457	8,434	-	2,065,891
Accumulated Depreciation:				
Buildings & additions	250,039	16,383	-	266,422
Furniture & equipment	315,412	22,770	-	338,182
Fire trucks & other vehicles	<u>680,834</u>	<u>64,800</u>	<u>-</u>	<u>745,634</u>
Subtotal	<u>1,246,285</u>	<u>103,953</u>	<u>-</u>	<u>1,350,238</u>
Governmental activities net capital assets	<u>\$ 811,172</u>	<u>\$ (95,519)</u>	<u>\$ -</u>	<u>\$ 715,653</u>
 Business-type activities				
Water and Sewer system	<u>\$ 1,717,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,717,130</u>
Subtotal	1,717,130	-	-	1,717,130
Accumulated Depreciation:				
Water and Sewer system	<u>456,553</u>	<u>22,895</u>	<u>-</u>	<u>479,448</u>
Subtotal	<u>456,553</u>	<u>22,895</u>	<u>-</u>	<u>479,448</u>
Business-type activities net capital assets	<u>\$ 1,260,577</u>	<u>\$ (22,895)</u>	<u>\$ -</u>	<u>\$ 1,237,682</u>

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

Government activities	
General Government	\$ 24,562
Public Safety	<u>79,391</u>
Total governmental activities	<u>\$ 103,953</u>
 Business-type activities	
Sewer	<u>\$ 22,895</u>
Total business-type activities	<u>\$ 22,895</u>

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019**

NOTE 11 – LONG-TERM DEBT

The following is a summary of long-term debt outstanding of the Township for the year ended March 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Governmental activities					
2010 Recovery Zone Bond					
4.34% due 8/1/2020	<u>\$ 118,744</u>	<u>\$ -</u>	<u>\$ (38,561)</u>	<u>\$ 80,183</u>	<u>\$ 39,479</u>

Annual debt service requirements to maturity for this bond is as follows:

Year Ending	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>
March 31,			
2020	\$ 39,479	\$ 3,480	\$ (15,795)
2021	<u>40,704</u>	<u>1,768</u>	<u>(15,797)</u>
Total	<u>\$ 80,183</u>	<u>\$ 5,248</u>	<u>\$ (31,592)</u>

The 2010 Recovery Zone Bonds are a result of an agreement with Genesee County for replacement of seven large culverts located within the Township. The Recovery Zone Bonds are part of the Build America Bonds that entitle the issuer to a 45% interest subsidy which has been passed onto Gaines Township. The remaining principal and interest to be paid on the bonds is \$81,758 and will be paid out of the Capital Projects Fund.

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through August 23, 2019, which is the date the financial statements were available to be issued.

NOTE 13 – PRIOR YEAR RESTATEMENT

General Fund fund balance and Governmental Activities net position for the year ended March 31, 2018 have been restated as follows to account for grant revenue that was received in March 2018, but not recorded until April 2018:

Fund Balance 3/31/18	\$1,144,048	Net Position 3/31/18	\$2,896,100
Siren Reimbursement	<u>29,692</u>	Siren Reimbursement	<u>29,692</u>
Restated Fund Balance	<u>\$1,173,740</u>	Restated Net Position	<u>\$2,925,792</u>

REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Over/(Under) Final Budget
Revenues				
Taxes	\$ 230,000	\$ 242,000	\$ 243,263	\$ 1,263
Special assessments	58,000	58,800	57,952	(848)
Fees and permits	71,900	81,500	116,368	34,868
Intergovernmental	501,000	502,000	556,330	54,330
Administrative fees	49,500	56,000	68,628	12,628
Grant income	2,315	10,315	9,000	(1,315)
Public service contracts	10,000	10,000	10,000	-
Interest	500	800	2,968	2,168
Miscellaneous	1,000	5,782	9,773	3,991
Total revenues	924,215	967,197	1,074,282	107,085
Expenditures				
General government				
Legislative	12,970	9,270	4,210	5,060
Supervisor	20,925	20,925	20,911	14
Accounting	14,500	17,000	16,638	362
Clerk	41,025	37,025	35,423	1,602
Board of review	2,200	2,275	1,324	951
Treasurer	44,095	49,895	48,061	1,834
Assessing	43,675	43,675	43,170	505
Elections	10,000	10,600	10,470	130
Other general government costs	137,875	168,495	157,618	10,877
Public safety				
Police department	186,434	194,534	170,860	23,674
Fire department	169,660	171,910	149,636	22,274
Public works	372,815	398,925	356,927	41,998
Other				
Planning commission	18,940	19,910	7,921	11,989
Zoning board of appeals	1,617	1,617	1,718	(101)
Total expenditures	1,076,731	1,146,056	1,024,887	121,169
Excess of revenues over (under) expenditures and other financing sources (uses)	(152,516)	(178,859)	49,395	228,254
Fund balance - beginning of year, restated	1,173,740	1,173,740	1,173,740	-
Fund balance - end of year	\$ 1,021,224	\$ 994,881	\$ 1,223,135	\$ 228,254

**TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-WASTE AND REFUSE FUND
FOR THE YEAR ENDED MARCH 31, 2019**

	<u>Budget</u>			Variance Over/(Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$ 320,000	\$ 320,000	\$ 322,084	\$ 2,084
Miscellaneous	150	150	128	(22)
Interest	100	100	88	(12)
Total revenues	<u>320,250</u>	<u>320,250</u>	<u>322,300</u>	<u>2,050</u>
Expenditures				
Contracted services	320,000	320,000	326,633	(6,633)
Refunds	-	-	-	-
Total expenditures	<u>320,000</u>	<u>320,000</u>	<u>326,633</u>	<u>(6,633)</u>
Net change in fund balances	250	250	(4,333)	(4,583)
Fund balance - beginning of year	<u>395,676</u>	<u>395,676</u>	<u>395,676</u>	<u>-</u>
Fund balance - end of year	<u>\$ 395,926</u>	<u>\$ 395,926</u>	<u>\$ 391,343</u>	<u>\$ (4,583)</u>

**TOWNSHIP OF GAINES
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
MARCH 31, 2019**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end, except for approved contracts which are appropriated on a contract (grant) length basis.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

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.

The Township had the following budget overages:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Zoning Board of Appeals	\$ 1,617	\$ 1,718	\$ (101)
Waste and Refuse Fund-Contracted Services	\$ 320,000	\$ 326,633	\$ (6,633)

Budget overages are primarily related to unexpected costs related to operations.