



Township of Gaines
Audited Financial Statements
March 31, 2016

Prepared by Taylor & Morgan P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200
3150 Livernois Road, Suite 150 | Troy, MI 48083 | 248.688.9399
15720 Brixham Hill Ave., Suite 300 | Charlotte, NC 28277 | 704.926.7570

www.tmcpa.com

TOWNSHIP OF GAINES

GENESEE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Paul Fortino
Supervisor

Michael Dowler
Clerk

Diane Hyrman
Treasurer

Charles Timmons
Trustee

Lee Purdy
Trustee

TOWNSHIP OF GAINES
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet-Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position-Business-type Activities	13
Statement of Revenues, Expenditures and Changes in Net Position-Business-type Activities	14
Statement of Cash Flows-Business-type Activities	15
Statement of Fiduciary Net Position	16
Notes to the Basic Financial Statements	17-26
Required Supplemental Information:	
Budgetary Comparison Schedule-General Fund	27
Budgetary Comparison Schedule-Waste and Refuse Fund	28
Notes to the Required Supplemental Information	29

TOWNSHIP OF GAINES
TABLE OF CONTENTS

Other Supplemental Information:

Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

30-31

Independent Auditor's Report

July 25, 2016

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, 2016, 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.

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, 2016 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 on pages 3-6 and 27-29 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 of Gaines' basic financial statements. The introductory section titled management's discussion and analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016 on our consideration of the Township of Gaines' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Gaines' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis
Year Ended March 31, 2016

Our discussion and analysis of the Township of Gaines' financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2016. 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, 2016.

In light of continuing State budget problems, and constant threat(s) to take away all revenue sharing, the Township continues to exercise tighter controls over all expenditures.

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.

The Township of Gaines as a Whole

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

	Governmental Activities <u>2016</u>	Business-type Activities <u>2016</u>	Total <u>2016</u>	Total <u>2015</u>
Assets	\$ 3,155,098	\$ 3,035,586	\$ 6,190,684	\$ 6,691,983
Liabilities				
Current liabilities	74,221	2,694	76,915	38,025
Noncurrent liabilities	<u>156,387</u>	<u>699,993</u>	<u>856,380</u>	<u>945,188</u>
Total liabilities	230,608	702,687	933,295	983,213
Deferred inflow of resources	<u>94,772</u>	<u>-</u>	<u>94,772</u>	<u>94,772</u>
Invested in capital assets, net of related debt	591,379	606,374	1,197,753	1,163,950
Restricted	345,486	-	345,486	922,716
Unrestricted	<u>1,892,853</u>	<u>1,726,525</u>	<u>3,619,378</u>	<u>3,527,330</u>
Total net positions	<u>\$ 2,829,718</u>	<u>\$ 2,332,899</u>	<u>\$ 5,162,617</u>	<u>\$ 5,613,996</u>

The Township of Gaines' total net positions from governmental activities are \$2,829,718 and \$2,332,899 from business type activities; of these amounts, \$1,892,853 and \$1,726,525 are unrestricted.

	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total 2016</i>	<i>Total 2015</i>
Revenue				
Program revenue:				
Charges for services	\$ 400,483	\$ 505,861	\$ 906,344	\$ 850,189
Capital grants and contributions	34,155	-	34,155	75,182
Operating grants and contributions	10,000	-	10,000	10,000
General revenue:				
Property taxes	257,391	-	257,391	281,806
Special assessments	234,484	-	234,484	545,721
State-shared revenue	490,142	-	490,142	496,392
Interest	5,676	11,557	17,233	25,245
Franchise fees and other revenue	<u>78,172</u>	<u>-</u>	<u>78,172</u>	<u>36,972</u>
Total revenue	1,510,503	517,418	2,027,921	2,321,507
Program expenses				
General government	284,761	-	284,761	307,788
Public works	1,346,768	-	1,346,768	458,995
Fire protection	212,291	-	212,291	268,896
Police protection	127,541	-	127,541	80,707
Sanitation	-	503,830	503,830	468,021
Other	<u>4,109</u>	<u>-</u>	<u>4,109</u>	<u>7,006</u>
Total program expenses	<u>1,975,470</u>	<u>503,830</u>	<u>2,479,300</u>	<u>1,591,413</u>
Change in net positions	\$ <u>(464,967)</u>	\$ <u>13,588</u>	\$ <u>(451,379)</u>	\$ <u>730,094</u>

Governmental Activities

The Township of Gaines' total governmental activity revenues were \$ 1,510,503 compared to \$1,834,487 in the prior year. The decrease was primarily due to the following:

- FEMA grant of \$66,491 received in the prior year
- Oakwood subdivision special assessment revenue is recorded as income in the year the special assessment district is approved. During the year ended March 31, 2016 the Oakwood subdivision special assessment was increased from \$527,319 to \$753,706. This increase caused revenue to decrease \$226,387 between March 31, 2015 and March 31, 2016.

Governmental activity expenditures of \$1,975,470 were recorded for the year. This increase of \$852,078 from the prior year is due to the Oakwood Subdivision paving project.

Business Type Activities

The Township also provides municipal water and sanitary sewer to some residents. The Water and Waste Fund accounts for this activity. During the fiscal year ended March 31, 2016, there was an increase in the county water rate that was passed on to Township residents creating a small increase in net position.

Township of Gaines' Governmental Funds

The fund financial statements provide detailed information about the most significant funds, not the Township of Gaines as a whole. The Township Board of Trustees creates funds to help manage money for specific purposes as well as show accountability for certain activities: Fire, Water, Sewer, and Garbage.

a) **General Fund**

Functions relating to the general governmental activities of the Township, which are financed by property tax levies and by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. The day-to-day operation expenses for the Police and Fire Departments are also paid out of the General Fund.

b) **Fire Fund**

The Fire Department Fund is funded through the General Fund.

c) **Waste and Refuse Fund**

Gaines Township has a special assessment to pay for township-wide sanitation services.

d) **Capital Projects Fund**

Special Assessments were created and spread over ten years for the paving of Baldwin Road. The Baldwin Road Special Assessment began in 2007 with a balance of \$405,175. In 2014 a new special assessments district was created for Oakwood subdivision. It has an assessed balance of \$767,845 and will be spread over eight years. All special assessment activity is recorded in the General Fund.

Capital Assets

At the end of fiscal year 2016, the Township had \$591,379 in governmental activities and \$1,306,367 in business-type activities for a total \$1,897,746 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines (see Note 9). During the current fiscal year the following fixed assets were purchased:

- Township Hall Parking Lot \$33,072
- Fire Hall Door & Wall Replacement \$5,680
- Police Car Cameras \$5,050
- Furnace \$5,613
- Police Truck \$31,982

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).

Long-term Debt

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 to be paid on the loan at March 31, 2016 was \$169,651 and will be paid out of the General Fund.

The Township also has a note payable of \$699,993 related to an agreement with Genesee County for the Western Trunk Extension of the County's sanitary sewage disposal system. The note payable is backed by the full faith and credit of the Township and is expected to be paid in full in 2027.

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. During the fiscal year ended March 31, 2016, the Township amended the budget of its general fund two times. Each amendment reflected a change in revenues and/or expenditures.

In the general fund, the actual revenue was \$1,107,689. This is more than the final amended budget of \$1,082,200 with a variance of approximately 2%. The actual expenditures of the general fund were \$1,691,402. This was less than the final amended budget of \$1,698,302.

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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,432,311	\$ 481,596	\$ 1,913,907
Investments	275,657	1,201,718	1,477,375
Receivables (net)	819,939	45,905	865,844
Prepaid expenses	35,812	-	35,812
Capital assets (net)	591,379	1,306,367	1,897,746
Total assets	3,155,098	3,035,586	6,190,684
Liabilities			
Accounts payable	1,689	2,694	4,383
Current portion of bond principal	72,532	-	72,532
Noncurrent liabilities:			
Due in more than one year	156,387	699,993	856,380
Total liabilities	230,608	702,687	933,295
Deferred inflow of resources			
Deferred bond interest	94,772	-	94,772
Invested in capital assets, net of related debt	591,379	606,374	1,197,753
Restricted	345,486	-	345,486
Unrestricted	1,892,853	1,726,525	3,619,378
Total net position	\$ 2,829,718	\$ 2,332,899	\$ 5,162,617

TOWNSHIP OF GAINES
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2016

	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	\$ 284,761	\$ 3,794	\$ 34,155	\$ -	\$ (246,812)	\$ -	\$ (246,812)
Public safety	339,832			10,000	(329,832)	-	(329,832)
Public works	1,346,768	396,689	-	-	(950,079)	-	(950,079)
Other	4,109	-	-	-	(4,109)	-	(4,109)
Total governmental activities	1,975,470	400,483	34,155	10,000	(1,530,832)	-	(1,530,832)
Business-type activities							
Water and waste	503,838	505,869	-	-	-	2,031	2,031
Total primary government	\$ 2,479,308	\$ 906,352	\$ 34,155	\$ 10,000	(1,530,832)	2,031	(1,528,801)
General revenues							
Property tax					257,391	-	257,391
Special assessments					234,484	-	234,484
State-shared revenues					490,142	-	490,142
Investment earnings					5,676	11,557	17,233
Franchise fees					43,259	-	43,259
Miscellaneous					34,913	-	34,913
Total general revenues					1,065,865	11,557	1,077,422
Change in net position					(464,967)	13,588	(451,379)
Net position - beginning of year					3,294,685	2,319,311	5,613,996
Net position - end of year					\$ 2,829,718	\$ 2,332,899	\$ 5,162,617

**TOWNSHIP OF GAINES
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2016**

	General	Special Revenue	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,083,956	\$ 348,355	\$ 1,432,311
Investments	275,657	-	275,657
Receivables			
Delinquent taxes	21,648	22,749	44,397
Grants receivable	1,902	-	1,902
Special assessments	604,310	-	604,310
Prepaid expenses	8,593	27,219	35,812
Due from other funds	2,869	-	2,869
Due from other governments	74,558	-	74,558
 Total assets	 \$ 2,073,493	 \$ 398,323	 \$ 2,471,816
 <u>Liabilities</u>			
Accounts payable	\$ 31,636	\$ -	\$ 31,636
Due to other funds	-	2,869	2,869
 Total liabilities	 31,636	 2,869	 34,505
 <u>Deferred Inflow of Resources</u>			
Deferred revenue	21,648	22,749	44,397
Special assessments	604,310	-	604,310
 Total deferred inflow of resources	 625,958	 22,749	 648,707
 <u>Fund Equity</u>			
Non-Spendable	8,593	27,219	35,812
Restricted	-	345,486	345,486
Assigned	713,289	-	713,289
Unassigned	694,017	-	694,017
 Total fund equity	 1,415,899	 372,705	 1,788,604
 Total liabilities and fund equity	 \$ 2,073,493	 \$ 398,323	 \$ 2,471,816

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, 2016**

Total governmental fund balances	\$	1,788,604
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.		94,772
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$ 1,872,787	
Accumulated depreciation	<u>(1,281,408)</u>	591,379
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.		604,310
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.		44,397
Unpaid bond payments are reported as a liability in the statement of net position when the debt is incurred and as an expenditure in the governmental funds when the payment is due.		29,947
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.		(228,919)
Deferred bond interest is reported as a liability in the statement of net position, but reported in the governmental funds when earned.		<u>(94,772)</u>
Total net position - governmental activities	\$	<u><u>2,829,718</u></u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 237,716	\$ -	\$ 237,716
Special assessments	171,632	345,530	517,162
Fees and permits	75,463	-	75,463
Intergovernmental	490,142	-	490,142
Administrative services	47,992	-	47,992
Grant income	34,155	-	34,155
Fire contract	10,000	-	10,000
Interest	5,676	-	5,676
Miscellaneous	<u>34,913</u>	<u>-</u>	<u>34,913</u>
Total revenues	1,107,689	345,530	1,453,219
Expenditures			
General government	279,999	-	279,999
Public works	1,058,085	318,630	1,376,715
Fire protection	147,312	-	147,312
Police protection	120,500	-	120,500
Other	4,665	-	4,665
Capital outlay	<u>80,841</u>	<u>-</u>	<u>80,841</u>
Total expenditures	<u>1,691,402</u>	<u>318,630</u>	<u>2,010,032</u>
Excess/(deficiency) of revenues over/(under) expenditures	(583,713)	26,900	(556,813)
Fund balance - beginning of year	<u>1,999,612</u>	<u>345,805</u>	<u>2,345,417</u>
Fund balance - end of year	<u>\$ 1,415,899</u>	<u>\$ 372,705</u>	<u>\$ 1,788,604</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, 2016

Total net change in fund balances - governmental funds \$ (556,813)

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	\$	81,397	
Depreciation expense		<u>(76,782)</u>	4,615

Governmental funds report new special assessment districts as revenue when received. However, in the statement of activities, these revenues are recorded when the special assessment district has been approved. 226,387

Governmental funds report payments received on special assessments as revenue when received. However, in the statement of activities, these revenues are recorded when they are earned. (163,535)

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. (5,568)

Governmental funds report unpaid bond debt as an expenditure in the current year. The statement of activities does not report unpaid bond debt as it is recorded as a liability on the statement of net position. 29,947

Change in net position of governmental activities \$ (464,967)

TOWNSHIP OF GAINES
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES-WATER AND WASTE FUNDS
MARCH 31, 2016

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 252,395	\$ 229,201	\$ 481,596
Investments	618,947	582,771	1,201,718
Accounts receivable	45,905	-	45,905
Property and equipment - net	-	1,306,367	1,306,367
Total assets	917,247	2,118,339	3,035,586
<u>Liabilities</u>			
Accounts payable	2,694		2,694
Noncurrent liabilities:			
Due in more than one year	-	699,993	699,993
Total liabilities	2,694	699,993	702,687
<u>Net Position</u>			
Invested in capital assets	-	606,374	606,374
Unassigned	914,553	811,972	1,726,525
Total net position	\$ <u>914,553</u>	\$ <u>1,418,346</u>	\$ <u>2,332,899</u>

TOWNSHIP OF GAINES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES-WATER AND WASTE FUNDS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 488,918	\$ 16,951	\$ 505,869
Total operating revenues	488,918	16,951	505,869
Operating expenses			
Depreciation	-	22,895	22,895
Pump maintenance	35,173	-	35,173
County sewer charges	135,972	-	135,972
County water charges	278,063	-	278,063
Total operating expenses	449,208	22,895	472,103
Operating income/(loss)	39,710	(5,944)	33,766
Non-operating revenues/(expenses)			
Interest expense	-	(31,735)	(31,735)
Interest income	6,132	5,425	11,557
Transfers from/(to) other funds	(151,132)	151,132	-
Total non-operating revenues/(expenses)	(145,000)	124,822	(20,178)
Change in net position	(105,290)	118,878	13,588
Net position - beginning of year	1,019,843	1,299,468	2,319,311
Net position - end of year	\$ 914,553	\$ 1,418,346	\$ 2,332,899

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

**TOWNSHIP OF GAINES
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES-WATER AND WASTE FUND
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Usage</u>	<u>Tap in</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 503,410	\$ 16,951	\$ 520,361
Payments to suppliers	<u>(446,514)</u>	<u>-</u>	<u>(446,514)</u>
Net cash provided/(used) by operating activities	56,896	16,951	73,847
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments to/from other funds	(83,818)	83,818	-
Bond obligation payments to county	<u>-</u>	<u>(83,818)</u>	<u>(83,818)</u>
Net cash provided/(used) by capital and related financing activities	(83,818)	-	(83,818)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>444</u>	<u>77</u>	<u>521</u>
Net cash provided/(used) by investing activities	<u>444</u>	<u>77</u>	<u>521</u>
Net increase/(decrease) in cash and cash equivalents	(26,478)	17,028	(9,450)
Cash and cash equivalents - beginning of year	<u>278,873</u>	<u>212,181</u>	<u>491,054</u>
Cash and cash equivalents - end of year	\$ <u><u>252,395</u></u>	\$ <u><u>229,209</u></u>	\$ <u><u>481,604</u></u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities			
Operating income	\$ 39,710	\$ (5,944)	\$ 33,766
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	22,895	22,895
Decrease/(Increase) in accounts receivable	14,492	-	14,492
(Decrease)/Increase in accounts payable	<u>2,694</u>	<u>-</u>	<u>2,694</u>
Net cash provided/(used) by operating activities	\$ <u><u>56,896</u></u>	\$ <u><u>16,951</u></u>	\$ <u><u>73,847</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, 2016

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ <u>1,629</u>
Total assets	\$ <u><u>1,629</u></u>
<u>Liabilities</u>	
Due to other governmental units	\$ <u>1,629</u>
Total liabilities	\$ <u><u>1,629</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, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Gaines 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:

Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

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.

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.

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.

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 proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

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

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

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year-end on behalf of the government also are recognized as revenue. Fines, permits, and fee revenues are not susceptible to accrual, because generally, they are not measurable until received in cash.

The Township reports the following 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 Township reports the following major proprietary funds:

- The Water and Waste Fund accounts for the cost of collection and treating of waste waters.

Additionally, the Township reports the following:

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sewage disposal. The Water and Waste Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property tax revenue

Property taxes are levied on each July 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.

The Township's 2015 ad valorem tax is levied and collectible on July 1, 2015, and is recognized as revenue in the year ended March 31, 2016, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2015 taxable valuation of the Gaines Township is \$170,154,322, on which the ad valorem tax levy consisted of .8451 mills for operating purposes and .5 mills for police operations. 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.

Assets, liabilities, deferred inflows/outflows of resources and fund equity

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.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business - type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

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

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

Deferred Outflows of Resources-A deferred outflow of resources is a consumption of net position by the Township that is applicable to a future reporting period.

Deferred Inflows of Resources-A deferred inflow of resources is an acquisition of net position by the Township that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

Fund equity – The Township Board adopts a budget each year that includes the appropriation of fund equity. Fund equity is reported in the governmental funds in the following categories:

- Non-spendable fund equity represents assets that are not available in spendable form and are not expected to be converted to cash. There was \$35,812 in non-spendable fund equity for the year ended March 31, 2016.
- Restricted fund equity is reported separately to show legal constraints and debt covenants and legislation that limits the Township's ability to use those net assets for day to day operations. The Township restricts fund balances in the General Fund for capital projects and for waste and refuse special assessments that are restricted for sanitation services.
- Committed fund equity represents constrained amounts imposed by board resolution. The Township had no amounts committed at March 31, 2016.
- Assigned fund equity represents amounts intended to be used for specific purposes by the Township board, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Township has the following fund equity balances assigned at March 31, 2016:

Fire Depreciation	\$267,741
Police Depreciation	20,737
Roads	39,059
Building and Site	250,000
Assigned for 16-17 Budget	<u>135,752</u>
Total Unreserved-designated	<u>\$713,289</u>

- Unassigned fund equity is reported only in the General Fund and represents the remaining fund equity after non-spendable, restrictions and assignments have been made.

The Township applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

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.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental level for the General and Waste and Refuse Funds through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan.
4. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at year end, except for certain federal grants which are appropriated on a contract (grant) length basis.
6. The original budget was amended during the year in compliance with the Township bylaws and applicable state laws.

NOTE 3 – CASH 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

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

NOTE 3 – CASH AND INVESTMENTS-(continued)

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 authorized all of the investments allowable under Michigan law and is in accordance with statutory authority.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Township's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, defined as 5% or more of the Township's total investments. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Township's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover collateral securities, if any, in the possession of an outside party. At March 31, 2016, the Township had \$1,882,393 of its deposit balances uninsured and uncollateralized.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Township through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Township is not authorized to invest in investments that would be subject to this type of risk.

NOTE 4 – SPECIAL ASSESSMENT RECEIVABLES

As of March 31, 2016, the following special assessments for paving projects were still outstanding:

Baldwin Road	\$ 88,328
Oakwood Subdivision	<u>515,982</u>
Total	<u>\$ 604,310</u>

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances as of March 31, 2016 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,869	\$ -
Waste & Refuse Fund	-	2,869
Total	<u>\$ 2,869</u>	<u>\$ 2,869</u>

These balances are the result of Waste and Refuse fund expenditures that were paid out of the General Fund.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the General Fund had \$21,648 and the Special Revenue Fund had \$22,749 in deferred revenue resulting from delinquent property taxes.

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 will amount 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, 2016, actual Township contributions totaled \$9,322. 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, 2016**

NOTE 9 - CAPITAL ASSETS

Summary of capital asset transactions of the primary government:

	Balance <u>April 1, 2015</u>	Additions	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2016</u>
Governmental activities				
Land & improvements	\$ 19,775	\$ -	\$ -	\$ 19,775
Buildings & additions	423,547	38,752	-	462,299
Furniture & equipment	513,304	10,663	-	523,967
Fire trucks & other vehicles	<u>834,764</u>	<u>31,982</u>	<u>-</u>	<u>866,746</u>
Subtotal	1,791,390	81,397		1,872,787
Accumulated Depreciation:				
Buildings & additions	214,519	7,358	-	221,877
Furniture & equipment	412,903	23,132	-	436,035
Fire trucks & other vehicles	<u>577,204</u>	<u>46,292</u>	<u>-</u>	<u>623,496</u>
Subtotal	<u>1,204,626</u>	<u>76,782</u>	<u>-</u>	<u>1,281,408</u>
Governmental activities net capital assets	<u>\$ 586,764</u>	<u>\$ 4,615</u>	<u>\$ -</u>	<u>\$ 591,379</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>387,868</u>	<u>22,895</u>	<u>-</u>	<u>410,763</u>
Subtotal	<u>387,868</u>	<u>22,895</u>	<u>-</u>	<u>410,763</u>
Business-type activities net capital assets	<u>\$ 1,329,262</u>	<u>\$ (22,895)</u>	<u>\$ -</u>	<u>\$ 1,306,367</u>

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

Government activities	
General Government	\$ 4,762
Public Safety	<u>72,020</u>
Total governmental activities	<u>\$ 76,782</u>
 Business-type activities	
Sewer	\$ 22,895
Total business-type activities	<u>\$ 22,895</u>

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

NOTE 10 – LONG-TERM DEBT

The following is a summary of long-term debt outstanding of the Township for the year ended March 31, 2016:

	<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	\$ 228,919	\$ -	\$ -	\$ 228,919	\$ 72,532
Business-type activities					
2006 General obligations					
4.0%-4.35% due 11/1/26	\$ 752,076	\$ -	\$ (52,083)	\$ 699,993	\$ -

Annual debt service requirements to maturity for these bonds are as follows:

Year Ending	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Principal</u>	<u>Interest</u>
<u>March 31,</u>					
2017	\$ 72,532	\$ 18,316	\$ (31,590)	\$ -	\$ 15,722
2018	37,643	6,787	(15,795)	57,827	29,267
2019	38,561	5,153	(15,795)	60,245	26,849
2020	39,479	3,480	(15,795)	62,763	24,330
2021	40,704	1,768	(15,797)	65,388	21,706
2022-2026	-	-	-	370,304	65,163
2027	-	-	-	83,466	3,490
Total	<u>\$ 228,919</u>	<u>\$ 35,504</u>	<u>\$ (94,772)</u>	<u>\$ 699,993</u>	<u>\$ 186,527</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 \$228,919 and will be paid out of the General Fund.

The 2006 general obligation bonds are a result of an agreement with Genesee County for the Western Trunk Extension of the County's Sewage Disposal System running through Gaines Township. The Township has pledged substantially all revenue of the water and sewer fund, net of operating expenses, to repay the obligations. Proceeds from the County bonds provided financing for the construction of the Western Trunk extension. The remaining principal and interest to be paid on the bonds is \$886,520.

The principal payment of \$52,083 due April 1, 2016 was paid in March 2016; therefore there is no current portion due for the year ended March 31, 2016.

**TOWNSHIP OF GAINES
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

NOTE 11 - 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, 2016 are as follows:

Revenues	\$28,410
Expenditures	\$22,305

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.

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed subsequent events through July 25, 2016, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over/(Under) Final Budget
Revenues				
Taxes	\$ 228,000	\$ 228,000	\$ 237,716	\$ 9,716
Special assessments	557,000	224,000	171,632	(52,368)
Fees and permits	42,400	42,400	75,463	33,063
Intergovernmental	496,000	496,000	490,142	(5,858)
Administrative fees	48,500	48,500	47,992	(508)
Grant income	114,000	6,500	34,155	27,655
Public service contracts	10,000	10,000	10,000	-
Interest	6,000	6,000	5,676	(324)
Miscellaneous	1,000	20,800	34,913	14,113
Total revenues	1,502,900	1,082,200	1,107,689	25,489
Expenditures				
General government				
Legislative	8,020	8,120	7,997	123
Chief executive	19,425	19,425	19,425	-
Financial and tax administration	135,150	135,250	126,337	8,913
Elections	6,000	12,000	11,883	117
General government	138,348	124,200	114,357	9,843
Building department	20,000	22,000	22,305	(305)
Code enforcement	4,000	4,000	2,494	1,506
Public safety				
Police department	125,000	125,000	120,500	4,500
Fire department	270,757	192,507	147,312	45,195
Public works	750,000	1,003,100	1,033,286	(30,186)
Other				
Planning commission	3,200	3,700	3,185	515
Zoning board of appeals	5,500	5,500	1,480	4,020
Capital outlay	17,500	43,500	80,841	(37,341)
Total expenditures	1,502,900	1,698,302	1,691,402	6,900
Other financing sources (uses)				
Operating transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues over (under) expenditures and other financing sources (uses)	-	(616,102)	(583,713)	32,389
Fund balance - beginning of year	1,999,612	1,999,612	1,999,612	-
Fund balance - end of year	\$ 1,999,612	\$ 1,383,510	\$ 1,415,899	\$ 32,389

**TOWNSHIP OF GAINES
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE-WASTE AND REFUSE FUND
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Budget</u>			Variance Over/(Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Special Assessments	\$ 344,000	\$ 344,000	\$ 345,530	\$ 1,530
Miscellaneous	150	150	-	(150)
Interest	500	500	-	(500)
Total revenues	<u>344,650</u>	<u>344,650</u>	<u>345,530</u>	<u>880</u>
Expenditures				
Contracted services	<u>320,000</u>	<u>320,000</u>	<u>318,630</u>	<u>1,370</u>
Total expenditures	<u>320,000</u>	<u>320,000</u>	<u>318,630</u>	<u>1,370</u>
Net change in fund balances	24,650	24,650	26,900	2,250
Fund balance - beginning of year	<u>345,805</u>	<u>345,805</u>	<u>345,805</u>	<u>-</u>
Fund balance - end of year	<u>\$ 370,455</u>	<u>\$ 370,455</u>	<u>\$ 372,705</u>	<u>\$ 2,250</u>

TOWNSHIP OF GAINES
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
MARCH 31, 2016

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.

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
Building Department	\$ 22,000	\$ 22,305	\$ (305)
Public Works	\$ 1,003,100	\$ 1,033,286	\$ (30,186)
Capital Outlay	\$ 43,500	\$ 80,841	\$ (37,341)

OTHER SUPPLEMENTAL INFORMATION

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

July 25, 2016

Board of Directors
Township of Gaines
Genesee County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Gaines as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Township of Gaines' basic financial statements, and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, as discussed below, we did identify a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Township's internal control to be a material weakness:

Auditor Proposed Adjustments-During the audit, we identified and proposed to Township management several adjustments to the accounting records. The material adjustments that were proposed and posted by management were to 1) adjust beginning fund balance, 2) record the State Shared revenue receivable, and 3) adjust revenue recorded to the incorrect general ledger account.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Gaines' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance , but did disclose other matters that have been communicated to the Board in a separate letter dated July 25, 2016.

Township of Gaines' Response to Findings

The Township of Gaines' management is aware of the auditor proposed adjustments that were required in order to present a financial statement that was materially accurate. The adjustments have been made and it is the intent of management to have these adjustments recorded prior to the audit in the future.

The Township of Gaines' response to findings identified in our audit are described above. The Township of Gaines' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants