

Charter Township of Fruitport
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

March 31, 2015



Charter Township of Fruitport

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 26, 2015

Township Board
Charter Township of Fruitport
Fruitport, 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 Charter Township of Fruitport, Michigan, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Township Board
Charter Township of Fruitport
August 26, 2015
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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 Charter Township of Fruitport, Michigan, as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 12 and 43 through 45 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fruitport’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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



Muskegon, Michigan

As management of the Charter Township of Fruitport, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2015. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- Assets/deferred outflows of resources of the Township exceeded liabilities/deferred inflows of resources at the close of the fiscal year by \$19,811,942 (net position). Of this amount, \$4,147,358 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- Governmental activities had net position totaling \$2,589,445 while business-type activities ended the year with \$17,222,497 in total net position.
- The Township completed a new Township hall during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Township's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The business-type activities of the Township include water distribution and sewer services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Safety Fund which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provide separate information for the Sewer and Water funds, both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Public Safety Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplemental information on budgetary information.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net position for the Township. As stated earlier, the net position may be used as an indicator of a government's financial health. As of March 31, 2015, the Township's net position from governmental activities totaled \$2,589,445 (13%) and \$17,222,497 (87%) from business-type activities, creating a total government-wide net position total of \$19,811,942.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$279,082. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$17,222,497 in net position and \$3,868,276 in unrestricted net position. The Sewer Fund and Water Fund unrestricted net position are \$1,180,182 and \$2,688,094, respectively.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current assets and other assets	\$ 2,164,151	\$ 2,130,290	\$ 4,133,930	\$ 5,142,046	\$ 6,298,081	\$ 7,272,336
Capital assets	3,044,175	2,941,395	18,938,909	18,216,031	21,983,084	21,157,426
Total assets	<u>5,208,326</u>	<u>5,071,685</u>	<u>23,072,839</u>	<u>23,358,077</u>	<u>28,281,165</u>	<u>28,429,762</u>
Current liabilities	389,476	426,236	566,618	737,339	956,094	1,163,575
Noncurrent liabilities	2,229,405	2,149,763	5,283,724	5,667,099	7,513,129	7,816,862
Total liabilities	<u>2,618,881</u>	<u>2,575,999</u>	<u>5,850,342</u>	<u>6,404,438</u>	<u>8,469,223</u>	<u>8,980,437</u>
Net position						
Net investment in capital assets	1,897,554	1,783,408	13,327,031	12,778,699	15,224,585	14,562,107
Restricted	412,809	392,087	27,190	25,752	439,999	417,839
Unrestricted	279,082	320,191	3,868,276	4,149,188	4,147,358	4,469,379
Total net position	<u>\$ 2,589,445</u>	<u>\$ 2,495,686</u>	<u>\$ 17,222,497</u>	<u>\$ 16,953,639</u>	<u>\$ 19,811,942</u>	<u>\$ 19,449,325</u>

For governmental activities, capital assets increased due to the completion of a new Township hall. Current liabilities decreased due to payables related to the new Township hall construction that were outstanding at year-end in the prior year and were paid during the current year.

For business-type activities, current assets and other assets decreased and capital assets increased due to sewer improvement projects financed with available resources. Noncurrent liabilities decreased due to scheduled debt service. Current liabilities decreased due to payables related to the sewer projects that were outstanding at year-end in the prior year and were paid during the current year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities, which shows changes in net position.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$ 425,355	\$ 381,238	\$ 2,062,635	\$ 2,104,969	\$ 2,487,990	\$ 2,486,207
Operating grants	38,140	16,611	-	-	38,140	16,611
Capital grants and contributions	-	-	1,134,493	387,022	1,134,493	387,022
General revenues						
Property taxes	1,913,415	1,897,531	-	-	1,913,415	1,897,531
Franchise fees	146,787	142,837	-	-	146,787	142,837
Grants and contributions not restricted	994,625	932,895	-	-	994,625	932,895
Unrestricted investment earnings	11,685	7,966	100,263	89,202	111,948	97,168
Miscellaneous	10,770	10,003	-	-	10,770	10,003
Gain on sale of capital assets	88,962	25,995	-	-	88,962	25,995
Total revenues	3,629,739	3,415,076	3,297,391	2,581,193	6,927,130	5,996,269
Expenses:						
General government	807,847	792,227	-	-	807,847	792,227
Public safety	2,329,103	2,219,709	-	-	2,329,103	2,219,709
Public works	207,246	245,824	-	-	207,246	245,824
Community and economic development	17,664	26,481	-	-	17,664	26,481
Culture and recreation	126,796	129,492	-	-	126,796	129,492
Interest on long term debt	47,324	35,768	-	-	47,324	35,768
Sewer	-	-	484,183	474,896	484,183	474,896
Water	-	-	2,544,350	2,175,771	2,544,350	2,175,771
Total expenses	3,535,980	3,449,501	3,028,533	2,650,667	6,564,513	6,100,168
Change in net position	93,759	(34,425)	268,858	(69,474)	362,617	(103,899)
Net position - Beginning	2,495,686	2,530,111	16,953,639	17,023,113	19,449,325	19,553,224
Net position - Ending	\$ 2,589,445	\$ 2,495,686	\$ 17,222,497	\$ 16,953,639	\$ 19,811,942	\$ 19,449,325

Governmental Activities

Net position of the Township's governmental activities increased by \$93,759 (3.8%) during the 2015 fiscal year.

Revenues were fairly comparable to the prior year with the exception of grants and contributions not restricted which increased due to growth in State revenue sharing and gain on sale of capital assets which increased due to the sale of a large parcel of land. Expenses were also fairly comparable to the prior year with the exception of an increase in public safety due to the purchase of new turnout gear and some repairs.

Business-type Activities

At the end of the fiscal year, the net position for business-type activities increased \$268,858 (1.6%). Two funds comprise the business-type activities. The Sewer Fund and Water Fund experienced a change in net position for the year of \$779,643 and (\$510,785), respectively.

Capital grants and contributions increased due to additional sewer connections. Water expenses increased due to Township contributions to capital improvements being made by the West Michigan Regional Water Authority, of which the Township is a member.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2015 fiscal year, the governmental funds reported a combined unassigned fund balance of \$1,397,412 which is shown entirely in the General Fund. The remainder of the fund balance is nonspendable due to prepaid items; restricted for public safety or street lights; or assigned for road improvements as shown on page 17.

The General Fund is the chief operating fund of the Township. The General Fund ended the year with a fund balance of \$1,403,026, an increase of \$795 from the prior fiscal year. The health of the General Fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. Unassigned fund balance represents 66% of the General Fund's expenditures and transfers (61% in the prior year). The Township has a minimum fund balance policy requiring unassigned fund balance to be 25 percent of General Fund revenues with which it is in compliance.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Sewer Fund increased by \$779,643 and decreased by \$510,785 in the Water Fund. The result was an overall increase in the proprietary funds of \$268,858.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those are listed below:

- Licenses and permits revenues were amended up by \$17,500 because of higher than expected building activity.
- Intergovernmental revenues – State were amended up by \$72,910 because of improved revenue sharing projections from the State of Michigan resulting in additional revenue sharing.
- Capital outlay was amended up by \$32,000 for the purchase of a truck and trailer.
- Proceeds from sale of capital assets was amended up by \$17,000 to reflect the sale of property and a truck.

Budget Variations

The following comments summarize the major variations from the final budget to actual revenues and expenditures in the General Fund:

- Assessing expenditures were under budget by \$48,786 because the Township was short one staff position for most of the year.
- Transfer out were under budget by \$41,416 because the Public Safety Fund did not need as much of an operating subsidy as initially expected.

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2015 totaled \$21,983,084 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included the following:

- The Township hall project was completed at a total cost of \$920,801 along with related costs for a backup generator of \$27,124, information technology of \$40,245, furniture of \$149,278, and a new sign for \$19,990.
- A new tractor was purchased for \$26,575.
- A new Ford F250 with plow was purchased for \$29,081.
- A camera system and software was purchased for \$19,310.
- Various sewer projects on Pontaluna Road, Airline Road, and the surrounding area were completed at a total cost of \$1,921,995.
- The previous Township hall was demolished.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 415,278	\$ 419,536	\$ 111,129	\$ 51,129	\$ 526,407	\$ 470,665
Construction in progress	-	879,020	24,729	800,241	24,729	1,679,261
Land improvements	436,500	462,174	10,504	11,220	447,004	473,394
Buildings and improvements	1,460,665	628,972	512,443	526,108	1,973,108	1,155,080
Furniture and equipment	365,386	106,531	38,320	43,552	403,706	150,083
Vehicles	366,346	445,162	9,841	10,699	376,187	455,861
Utility systems	-	-	15,265,114	13,691,778	15,265,114	13,691,778
Access rights	-	-	2,966,829	3,081,304	2,966,829	3,081,304
Total	\$ 3,044,175	\$ 2,941,395	\$ 18,938,909	\$ 18,216,031	\$ 21,983,084	\$ 21,157,426

Additional information on the Township’s capital assets can be found in Note D of the “Notes to Financial Statements” of this report.

Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$8,136,129 consisting of general obligation bonds, intergovernmental obligations, special assessment debt, installment purchase agreements, capital leases, compensated absences and other postemployment benefits. The special assessment debt of \$270,000 is backed by the full-faith and credit of the Township.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 957,000	\$ 957,000	\$ 1,243,000	\$ 1,243,000	\$ 2,200,000	\$ 2,200,000
Intergovernmental obligations	-	-	4,098,878	4,374,045	4,098,878	4,374,045
Special assessment bonds	-	-	270,000	315,000	270,000	315,000
Installment purchase agreements	153,128	181,116	-	-	153,128	181,116
Capital lease agreements	36,493	70,888	-	-	36,493	70,888
Compensated absences	246,203	228,242	70,326	65,829	316,529	294,071
Other postemployment benefits	1,047,581	889,517	13,520	35,225	1,061,101	924,742
Total	\$ 2,440,405	\$ 2,326,763	\$ 5,695,724	\$ 6,033,099	\$ 8,136,129	\$ 8,359,862

The Township’s total debt decreased by \$223,733 during the fiscal year. The decrease was due to scheduled debt payments offset by unfunded annual required contributions into the retiree healthcare plan which are reflected as a long-term liability.

Additional information on the Township’s long-term debt can be found in Note F of the “Notes to Financial Statements” of this report.

General Economic Overview

The Township’s General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 71% of the General Fund revenue sources. In next fiscal year 2015-16 state revenue sharing is expected see to a modest increase. Property tax revenues are expected to increase slightly due to the growth of commercial and residential housing. Township property taxes are based on taxable values.

The Township continues to bear financial implications with retail stores challenging taxable values with the Michigan Tax Tribunal.

The Township budgeted General Fund transfers of \$922,128 to the Public Safety Fund to supplement operations for fiscal year 2015-16.

The Township continues to look for cost savings as well as endeavor to meet citizen expectations in the current economy. Among items either underway or being considered are the following:

1. The Township is working to continue to reduce debt by selling Township owned properties. The Township approved a Land Contract sale of township property of 39 acres on Porter Road for the \$99,900 including \$20,000 down and 5% interest for five years and balloon payment due at the end of land contract. The Township will continue to review currently owned properties looking for opportunities to sell unneeded ones and place values back on property tax rolls.
2. As health care costs continue to increase, the Township offers a cafeteria style plan for December 2014 through end of November 2015 with three choices for employees with provider Blue Care Network. The Township will continue to strive for secure rate stability while at the same time meet the criteria of the current Health Care Reform legislation.
3. The new Water Connection contract with the City of Muskegon took effect on April 15, 2015. The Township's wholesale water purchases will come from the City of Muskegon going forward.
4. The Little River Band of Ottawa Indians tribal leaders and state legislators announced that the \$100 million casino proposal is moving on for federal review by the U.S. Bureau of Indian Affairs (BOIA). If approved the former Great Lakes Down racetrack that the tribe purchased in July 2008 would include stores, hotels and a large retail facility.
5. The Township is experiencing a significant improvement in economic development with retail and light industrial projects having been approved or in the planning and/or staff review stages. Recently completed retail projects include Lake Michigan Credit Union. First General Credit Union and Hometown Pharmacy are still uncompleted projects. Light industry projects complete in fiscal year 2014-15 includes the expansion of Metal Arc, LLC and Motion Dynamics.
6. The Township continues to work with legal counsel to update its five year planning and zoning plan.
7. The Township continues to work with state and federal transportation departments in order to complete gathering funds for L-96 Interchange at Sternberg Road.
8. Road funding for Sheridan Road, obtained with secured state and federal funding, has been completed. The remainder of Sheridan, along with Hile Road, has been completed. In upcoming years secured funding for additional projects include Shettler and Airline as well as possibly Pontaluna Road.
9. Fire turn out gear has a life expectancy of five years. The Township's current firefighter turnout gear is well over seven years old and needed to be replaced for safety reasons. The Department of Homeland Security awarded the Township a grant to offset 80% of the funding to replace the turnout gear for the amount of \$34,866. By working with partnering municipalities Egelston Township, the City of Norton Shores, and Muskegon Charter Township as well as other municipalities the Township will also be able to save an overall cost of \$10,000 of the \$48,000 replacement cost.
10. The Township continues to have success in obtaining annual grants for police officer vests and will continue to look for grant resources for additional safety for officers.
11. The Police Department qualified for a Michigan Township Participating Plan-Risk Reduction Grand Program Grant for the amount of \$3,500 for purchase of camera systems and software.
12. The Township is having discussions regarding the transition to a new pension company.

13. The Township entered into a purchase agreement with the THF Fruitport Development in order to construct a booster station for the township's public water system.
14. The Township authorized the Department of Public Works to hire a full time field position to begin April of the 2015-16 fiscal year.
15. The Department of Public Works will complete a water main project on Bridge Street.
16. Fruitport Township entered into an agreement with Muskegon Bike Time, LLC which was held at the former Great Lake Downs property. It was a successful event and the Township anticipates the return of the event next year on an even larger scale.
17. The Department of Public Works begins the Third Street Sewer Project. The Township board authorized a spring water main project scheduled for Bridge Street.
18. The Township will share cost with the Fruitport Soccer Club to finish fields at the Township Sheringer Park. A lease agreement was approved between the Soccer Club and the Township which includes agreement of the Club to pay \$15,000 over years 1-4 of the agreement.

Requests for Information

This financial report is designed to provide a general overview of the Charter Township of Fruitport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Fruitport, 6543 Airline Road, Fruitport, Michigan, 49415, (231) 865-3151.

Charter Township of Fruitport
STATEMENT OF NET POSITION
 March 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 1,747,756	\$ 2,354,569	\$ 4,102,325
Receivables	77,808	613,590	691,398
Due from other governmental units	177,987	45,074	223,061
Inventories	-	76,941	76,941
Prepaid items	20,719	10,436	31,155
Total current assets	2,024,270	3,100,610	5,124,880
Noncurrent assets			
Restricted cash and investments	-	42,343	42,343
Special assessments receivable, less amounts due within one year	62,341	990,977	1,053,318
Land contract receivable	77,540	-	77,540
Capital assets, net			
Nondepreciable	415,278	135,858	551,136
Depreciable	2,628,897	18,803,051	21,431,948
Total noncurrent assets	3,184,056	19,972,229	23,156,285
Total assets	5,208,326	23,072,839	28,281,165
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	151,299	97,018	248,317
Due to other governmental units	27,177	57,600	84,777
Bonds and other obligations, due within one year	211,000	412,000	623,000
Total current liabilities	389,476	566,618	956,094
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,229,405	5,283,724	7,513,129
Total liabilities	2,618,881	5,850,342	8,469,223
NET POSITION			
Net investment in capital assets	1,897,554	13,327,031	15,224,585
Restricted			
Public safety	52,702	-	52,702
Street lights	360,107	-	360,107
Debt service	-	27,190	27,190
Unrestricted	279,082	3,868,276	4,147,358
Total net position	\$ 2,589,445	\$ 17,222,497	\$ 19,811,942

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF ACTIVITIES
For the year ended March 31, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 807,847	\$ 209,509	\$ -	\$ -	\$ (598,338)	\$ -	\$ (598,338)
Public safety	2,329,103	155,551	38,140	-	(2,135,412)	-	(2,135,412)
Public works	207,246	23,414	-	-	(183,832)	-	(183,832)
Community and economic development	17,664	26,181	-	-	8,517	-	8,517
Culture and recreation	126,796	10,700	-	-	(116,096)	-	(116,096)
Interest on long-term debt	47,324	-	-	-	(47,324)	-	(47,324)
Total governmental activities	3,535,980	425,355	38,140	-	(3,072,485)	-	(3,072,485)
Business-type activities							
Sewer	484,183	305,689	-	888,677	-	710,183	710,183
Water	2,544,350	1,756,946	-	245,816	-	(541,588)	(541,588)
Total business-type activities	3,028,533	2,062,635	-	1,134,493	-	168,595	168,595
Total government	\$ 6,564,513	\$ 2,487,990	\$ 38,140	\$ 1,134,493	(3,072,485)	168,595	(2,903,890)
General revenues							
Property taxes, levied for							
General purposes					618,899	-	618,899
Specific purposes					1,294,516	-	1,294,516
Franchise fees					146,787	-	146,787
Grants and contributions not restricted to specific programs					994,625	-	994,625
Unrestricted investment earnings					11,685	100,263	111,948
Miscellaneous					10,770	-	10,770
Gain on sale of capital assets					88,962	-	88,962
Total general revenues					3,166,244	100,263	3,266,507
Change in net position					93,759	268,858	362,617
Net position at April 1, 2014					2,495,686	16,953,639	19,449,325
Net position at March 31, 2015					\$ 2,589,445	\$ 17,222,497	\$ 19,811,942

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
BALANCE SHEET
 Governmental Funds
 March 31, 2015

	General Fund	Public Safety Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,286,945	\$ 40,225	\$ 420,586	\$ 1,747,756
Receivables				
Property taxes	25,182	43,580	7,335	76,097
Special assessments	-	-	63,070	63,070
Land contract	77,540	-	-	77,540
Other	982	-	-	982
Due from other governmental units	149,237	28,750	-	177,987
Prepaid items	5,614	15,105	-	20,719
Total assets	\$ 1,545,500	\$ 127,660	\$ 490,991	\$ 2,164,151
LIABILITIES				
Accounts payable	\$ 27,725	\$ 8,437	\$ 12,673	\$ 48,835
Accrued liabilities	19,550	59,214	-	78,764
Due to other governmental units	17,659	9,518	-	27,177
Total liabilities	64,934	77,169	12,673	154,776
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Special assessments	-	-	62,341	62,341
Land contract receivable	77,540	-	-	77,540
Total deferred inflows of resources	77,540	-	62,341	139,881
FUND BALANCES				
Nonspendable - prepaid items	5,614	15,105	-	20,719
Restricted				
Public safety	-	35,386	2,211	37,597
Street lights	-	-	360,107	360,107
Assigned for road improvements	-	-	53,659	53,659
Unassigned	1,397,412	-	-	1,397,412
Total fund balances	1,403,026	50,491	415,977	1,869,494
Total liabilities, deferred inflows of resources and fund balances	\$ 1,545,500	\$ 127,660	\$ 490,991	\$ 2,164,151

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**
 March 31, 2015

Total fund balance—governmental funds		\$ 1,869,494
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	\$ 4,640,591	
Accumulated depreciation	<u>(1,596,416)</u>	3,044,175
Other long-term assets, such as special assessments and land contracts receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.		
		139,881
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable	(23,700)	
Bonds and notes payable	(1,146,621)	
Compensated absences	(246,203)	
Other postemployment benefits	<u>(1,047,581)</u>	<u>(2,464,105)</u>
Net position of governmental activities		<u><u>\$ 2,589,445</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Governmental Funds
 For the year ended March 31, 2015

	General Fund	Public Safety Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 618,899	\$ 1,119,143	\$ 175,373	\$ 1,913,415
Licenses and permits	181,270	-	-	181,270
Intergovernmental revenues				
Federal	-	34,866	-	34,866
State	994,625	7,282	-	1,001,907
Charges for services	224,774	130,118	-	354,892
Fines and forfeitures	1,250	-	8,493	9,743
Investment earnings	8,006	-	3,679	11,685
Other	12,281	20,718	18,821	51,820
Total revenues	2,041,105	1,312,127	206,366	3,559,598
EXPENDITURES				
Current				
General government	709,109	-	-	709,109
Public safety	-	2,079,398	6,282	2,085,680
Public works	31,382	-	154,656	186,038
Community and economic development	17,098	-	-	17,098
Culture and recreation	91,000	-	-	91,000
Other governmental functions	20,583	-	-	20,583
Debt service				
Principal	-	62,383	-	62,383
Interest and fees	37,361	11,863	-	49,224
Capital outlay	337,729	19,310	-	357,039
Total expenditures	1,244,262	2,172,954	160,938	3,578,154
Excess of revenues over (under) expenditures	796,843	(860,827)	45,428	(18,556)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	62,558	-	-	62,558
Transfers in	-	858,606	-	858,606
Transfers out	(858,606)	-	-	(858,606)
Total other financing sources (uses)	(796,048)	858,606	-	62,558
Net change in fund balances	795	(2,221)	45,428	44,002
Fund balances at April 1, 2014	1,402,231	52,712	370,549	1,825,492
Fund balances at March 31, 2015	\$ 1,403,026	\$ 50,491	\$ 415,977	\$ 1,869,494

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2015

Net change in fund balances—total governmental funds \$ 44,002

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (203,123)	
Capital outlay	<u>357,039</u>	153,916

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the assets sold.

(51,136)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Special assessments	(18,821)	
Land contract receivable	<u>77,540</u>	58,719

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		62,383
Change in accrued interest payable		1,900

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in other postemployment benefits	(158,064)	
Change in compensated absences	<u>(17,961)</u>	<u>(176,025)</u>

Change in net position of governmental activities		<u><u>\$ 93,759</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF NET POSITION
Proprietary Funds
March 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash and investments	\$ 545,620	\$ 1,808,949	\$ 2,354,569
Receivables			
Accounts	54,285	311,561	365,846
Special assessments	202,847	44,897	247,744
Due from other governmental units	40,569	4,505	45,074
Inventories	4,141	72,800	76,941
Prepaid items	1,044	9,392	10,436
Total current assets	848,506	2,252,104	3,100,610
Noncurrent assets			
Restricted cash and investments	-	42,343	42,343
Advances to other funds	-	412,410	412,410
Special assessments receivable, less amounts due within one year	811,388	179,589	990,977
Capital assets			
Land	11,113	100,016	111,129
Construction in progress	10,167	14,562	24,729
Land improvements	-	14,323	14,323
Buildings and improvements	53,540	493,065	546,605
Utility systems	8,092,528	13,981,659	22,074,187
Equipment	43,282	202,129	245,411
Vehicles	19,044	55,308	74,352
Access rights	-	3,903,418	3,903,418
Less accumulated depreciation and amortization	(1,872,843)	(6,182,402)	(8,055,245)
Net capital assets	6,356,831	12,582,078	18,938,909
Total noncurrent assets	7,168,219	13,216,420	20,384,639
Total assets	8,016,725	15,468,524	23,485,249
LIABILITIES			
Current liabilities			
Accounts payable	12,194	19,898	32,092
Accrued liabilities	29,834	35,092	64,926
Due to other governmental units	16,889	40,711	57,600
Bonds and other obligations, due within one year	64,000	348,000	412,000
Total current liabilities	122,917	443,701	566,618
Noncurrent liabilities			
Advances from other funds	412,410	-	412,410
Bonds and other obligations, less amounts due within one year	1,379,049	3,904,675	5,283,724
Total noncurrent liabilities	1,791,459	3,904,675	5,696,134
Total liabilities	1,914,376	4,348,376	6,262,752
NET POSITION			
Net investment in capital assets	4,922,167	8,404,864	13,327,031
Restricted for debt service	-	27,190	27,190
Unrestricted	1,180,182	2,688,094	3,868,276
Total net position	\$ 6,102,349	\$ 11,120,148	\$ 17,222,497

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 Proprietary Funds
 For the year ended March 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 305,689	\$ 1,756,946	\$ 2,062,635
OPERATING EXPENSES			
Administration	13,166	123,450	136,616
Operations	253,522	1,810,828	2,064,350
Depreciation and amortization	148,708	440,917	589,625
Total operating expenses	<u>415,396</u>	<u>2,375,195</u>	<u>2,790,591</u>
Operating loss	(109,707)	(618,249)	(727,956)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	69,460	30,803	100,263
Connection fees	888,677	245,816	1,134,493
Interest expense	(68,787)	(169,155)	(237,942)
Total nonoperating revenues (expenses)	<u>889,350</u>	<u>107,464</u>	<u>996,814</u>
Change in net position	779,643	(510,785)	268,858
Net position at April 1, 2014	<u>5,322,706</u>	<u>11,630,933</u>	<u>16,953,639</u>
Net position at March 31, 2015	<u>\$ 6,102,349</u>	<u>\$ 11,120,148</u>	<u>\$ 17,222,497</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended March 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 251,703	\$ 1,729,202	\$ 1,980,905
Receipts from interfund services provided	-	4,677	4,677
Payments to suppliers	(187,604)	(1,247,313)	(1,434,917)
Payments to employees	(67,033)	(610,405)	(677,438)
Payments for interfund services used	(12,000)	(108,000)	(120,000)
Net cash used for operating activities	(14,934)	(231,839)	(246,773)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental advance	-	129,576	129,576
Connection fees	400,188	325,881	726,069
Advances from other funds (net)	(17,075)	17,075	-
Purchases of capital assets	(1,401,912)	(80,200)	(1,482,112)
Principal paid on capital debt	(31,944)	(303,256)	(335,200)
Interest paid on capital debt	(66,944)	(171,310)	(238,254)
Net cash used for capital and related financing activities	(1,117,687)	(82,234)	(1,199,921)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment earnings	69,460	30,803	100,263
Net decrease in cash and investments	(1,063,161)	(283,270)	(1,346,431)
Cash and investments at April 1, 2014	1,608,781	2,134,562	3,743,343
Cash and investments at March 31, 2015	\$ 545,620	\$ 1,851,292	\$ 2,396,912
Reconciliation of cash and investments to the Statement of Net Position			
Cash and investments	\$ 545,620	\$ 1,808,949	\$ 2,354,569
Restricted cash and investments	-	42,343	42,343
	\$ 545,620	\$ 1,851,292	\$ 2,396,912
Reconciliation of operating loss to net cash used for operating activities			
Operating loss	\$ (109,707)	\$ (618,249)	\$ (727,956)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation and amortization expense	148,708	440,917	589,625
Change in assets and liabilities			
Accounts receivable	(53,986)	(23,067)	(77,053)
Inventories	(4,141)	10,249	6,108
Prepaid items	1,111	10,367	11,478
Accounts payable	4,459	(39,649)	(35,190)
Accrued liabilities	(1,378)	(12,407)	(13,785)
Net cash used for operating activities	\$ (14,934)	\$ (231,839)	\$ (246,773)

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2015

	<u>Agency Fund</u>
ASSETS	
Cash and investments	<u>\$ 51,028</u>
LIABILITIES	
Deposits held for others	\$ 45,099
Due to other governmental units	<u> 5,929</u>
Total liabilities	<u>\$ 51,028</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Fruitport (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected seven-member Board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Township's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Township's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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.

The Public Safety Fund is used to account for a special tax millage levied by the Township for the operation of the police and fire departments.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

The Township reports the following two major proprietary funds:

The Sewer Fund accounts for the collection system and pays for access to the county's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Additionally, the Township reports the following fund type:

The Agency Fund is custodial in nature and used to account for assets held by the Township as an agent for another organization or individual.

During the course of operations the Township 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 funds included in governmental activities (i.e., the governmental 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., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers 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 funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value (generally based on quoted market prices).

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Inventories and Prepaid Items—Continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and access rights of the Township are depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20-30
Utility systems	50
Buildings and improvements	20-40
Furniture and equipment	5-20
Vehicles	3-15
Access rights	30

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—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 of net position to report as restricted and unrestricted 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 Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Township will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Township's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the Township that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as committed. The Township Board has by resolution authorized the Township Supervisor to assign fund balance. The Township Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Township has a minimum fund balance policy requiring unassigned fund balance be at least 25% of General Fund revenues.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

The 2014 state taxable value for real/personal property of the Township totaled approximately \$449,428,000. The ad valorem taxes levied consisted of .9965, 2.5 and .45 mills for the Township's general operating, public safety and street lighting purposes, respectively. These amounts are recognized in the General Fund, Public Safety Fund, and Street Light Fund, respectively.

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates under limits that vary by employee group. Unused sick leave is accumulated up to 250 days for employees. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Excess of Expenditures over Appropriations

During the year ended March 31, 2015, actual expenditures exceeded appropriations for public safety by \$6,282 in the Drug Forfeiture Fund. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2015, the Township had the following investments:

Investment Type	<u>Fair Value</u>	<u>Weighted Average Maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Negotiable certificates of deposit	<u>\$ 502,442</u>	<u>13</u>	not rated	<u>100.0 %</u>

Deposit and Investment Risk

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risk—Continued

Concentration of Credit Risk

The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township has more than 5 percent of its investments in the following securities:

<u>Security</u>	<u>Percent of Total</u>
Isabella Bank of Mount Pleasant Negotiable Certificate of Deposit	20.1%
Bank of Northern Michigan Negotiable Certificate of Deposit	30.1%
Bank of Holland Negotiable Certificate of Deposit	29.8%
Morgan Stanley Negotiable Certificate of Deposit	20.0%

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2015, \$2,399,155 of the Township's bank balance of \$3,702,874 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

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

Restricted Cash and Investments

All restricted cash and investments in the Water Fund are set aside for debt retirement.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE D—CAPITAL ASSETS

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

	Balance April 1, 2014	Additions	Deductions	Balance March 31, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 419,536	\$ -	\$ 4,258	\$ 415,278
Construction in progress	879,020	258,429	1,137,449	-
Total capital assets, not being depreciated	1,298,556	258,429	1,141,707	415,278
Capital assets, being depreciated:				
Land improvements	513,485	-	-	513,485
Buildings and improvements	1,131,219	920,801	115,018	1,937,002
Furniture and equipment	205,602	286,177	8,000	483,779
Vehicles	1,281,034	29,081	19,068	1,291,047
Total capital assets, being depreciated	3,131,340	1,236,059	142,086	4,225,313
Less accumulated depreciation:				
Land improvements	51,311	25,674	-	76,985
Buildings and improvements	502,247	42,230	68,140	476,337
Furniture and equipment	99,071	27,322	8,000	118,393
Vehicles	835,872	107,897	19,068	924,701
Total accumulated depreciation	1,488,501	203,123	95,208	1,596,416
Total capital assets, being depreciated, net	1,642,839	1,032,936	46,878	2,628,897
Capital assets, net	\$ 2,941,395	\$ 1,291,365	\$ 1,188,585	\$ 3,044,175

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE D—CAPITAL ASSETS—Continued

	Balance April 1, 2014	Additions	Deductions	Balance March 31, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 51,129	\$ 60,000	\$ -	\$ 111,129
Construction in progress	800,241	1,225,740	2,001,252	24,729
Total capital assets, not being depreciated	851,370	1,285,740	2,001,252	135,858
Capital assets, being depreciated:				
Land improvements	14,323	-	-	14,323
Utility systems	20,072,934	2,001,253	-	22,074,187
Equipment	238,183	7,228	-	245,411
Vehicles	69,852	4,500	-	74,352
Building	546,605	-	-	546,605
Access rights	3,888,384	15,034	-	3,903,418
Total capital assets, being depreciated	24,830,281	2,028,015	-	26,858,296
Less accumulated depreciation:				
Land improvements	3,103	716	-	3,819
Utility systems	6,381,156	427,917	-	6,809,073
Equipment	194,631	12,460	-	207,091
Vehicles	59,153	5,358	-	64,511
Building	20,497	13,665	-	34,162
Access rights	807,080	129,509	-	936,589
Total accumulated depreciation	7,465,620	589,625	-	8,055,245
Total capital assets, being depreciated, net	17,364,661	1,438,390	-	18,803,051
Capital assets, net	\$ 18,216,031	\$ 2,724,130	\$ 2,001,252	\$ 18,938,909

Depreciation and amortization

Depreciation and amortization expense has been charged to functions as follows:

Governmental activities:

General government	\$ 39,471
Public safety	110,195
Public works	21,208
Culture and recreation	32,249
	\$ 203,123

Business-type activities:

Sewer	\$ 148,708
Water	440,917
	\$ 589,625

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Advances To/From Other Funds:

The Water Fund has advanced \$412,410 to the Sewer Fund to fund early debt retirement.

Interfund Transfers:

The General Fund has transferred \$858,606 to the Public Safety Fund as an operation subsidy.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2015.

	Balance April 1, 2014	Additions	Reductions	Balance March 31, 2015	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 957,000	\$ -	\$ -	\$ 957,000	\$ 22,000
Installment purchase agreements	181,116	-	27,988	153,128	29,000
Capital lease agreements	70,888	-	34,395	36,493	37,000
Compensated absences	228,242	132,876	114,915	246,203	123,000
Other postemployment benefits	889,517	163,579	5,515	1,047,581	-
Governmental activities long-term liabilities	\$ 2,326,763	\$ 296,455	\$ 182,813	\$ 2,440,405	\$ 211,000
Business-type activities:					
General obligation bonds	\$ 1,243,000	\$ -	\$ -	\$ 1,243,000	\$ 29,000
Intergovernmental obligations	4,374,045	15,033	290,200	4,098,878	302,000
Special assessment debt	315,000	-	45,000	270,000	45,000
Compensated absences	65,829	51,155	46,658	70,326	36,000
Other postemployment benefits	35,225	31,896	53,601	13,520	-
Business-type activities long-term liabilities	\$ 6,033,099	\$ 98,084	\$ 435,459	\$ 5,695,724	\$ 412,000

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Governmental activities:			
2013 General Obligation Bonds	3-4.5%	April 2039	\$ 957,000
2010 Installment Purchase Agreement	4.06%	October 2019	153,128
2012 Capital Lease	6.10%	October 2015	36,493
			<u><u>\$ 1,146,621</u></u>
Business-type activities:			
2013 General Obligation Bonds	3-4.5%	April 2039	\$ 1,243,000
Intergovernmental obligations:			
2010 Muskegon County Water System Bonds	3%	May 2020	1,132,047
2005 & 2006 City of Muskegon Heights Bonds	3.85-5%	November 2030	2,966,831
Special assessment debt:			
2000 Special Assessment Sewer Bonds	4.75-5%	January 2021	191,664
2000 Special Assessment Water Bonds	4.75-5%	January 2021	78,336
			<u><u>\$ 5,611,878</u></u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The special assessment bonds are backed by the full faith and credit of the Township.

The Muskegon County Water System Number One Refunding Bonds, Series 2010 issue is a joint debt agreement entered into by the Township and the City of Norton Shores. Under the agreement, the County issued debt and constructed a water supply system for the benefit of both governmental units. The County owns and maintains the system and upon full payment by either local unit of its allocated portion of the debt, the County may convey full ownership of the respective portions of the system to the local unit. Each local unit's share of the debt is based on user charges and the state's equalized valuation on real property. The Township's current estimated share of the obligation is 40.352%.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

In 1997, the City of Muskegon Heights made improvements and expanded the capacity of its water filtration plant. The project was funded with \$18,400,000 in revenue bonds. As wholesale users of the system, the City of Norton Shores and Charter Township of Fruitport agreed to pay a portion of the debt based on actual water usage pursuant to the Water Service Agreement between the three communities. Based on usage, the Township's share of the debt on March 31, 2015 was approximately 22% of the outstanding balance. The Water Service Agreement provides that any of the parties that exit the agreement is required to pay the present value of its portion of the remaining debt based on usage at the time of termination. On March 28, 2011, the Township gave notice that it was terminating the agreement in four years and signed a new agreement with the City of Muskegon to be a wholesale user of their system. After completing infrastructure improvements to fully link with the City of Muskegon's water system, the Township switched on April 15, 2015. The Township subsequently made an estimated payment to the City of Muskegon Heights for its share of the present value of the remaining debt outstanding net of surpluses accumulated through wholesale water rates by the Muskegon Heights water filtration plant.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2015 was \$114,295. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2015 follow:

Year Ending March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 88,000	\$ 46,943	\$ 376,000	\$ 219,259
2017	52,000	42,890	388,000	204,946
2018	53,000	40,986	403,000	190,958
2019	55,000	38,938	423,000	176,207
2020	50,000	36,627	436,000	160,812
2021-2025	132,000	163,954	1,314,000	621,563
2026-2030	209,000	129,807	1,361,000	371,082
2031-2035	240,000	85,348	560,000	121,975
2036-2040	267,621	29,905	350,878	38,844
	\$ 1,146,621	\$ 615,398	\$ 5,611,878	\$ 2,105,646

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE G—OTHER INFORMATION—Continued

Commitment

At March 31, 2015, the Township had entered into an agreement for sewer improvement projects for approximately \$168,000. The cost of these improvements will be paid by the Sewer Fund.

Jointly Governed Entity

West Michigan Regional Water Authority

The Township, in conjunction with another governmental entity, created the West Michigan Regional Water Authority. The Authority was formed to acquire, own, improve, enlarge, extend, and operate a water supply system. The administrative board of the Authority is comprised of voting representatives from each participating municipality. The Authority issued the \$15,700,000 Water Supply System Bonds, Series 2014 to fund improvements to the water system. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the authority be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2015 was \$4,615,800, or 29.4 percent of the bonds. The Township is unaware of any circumstances that would cause a shortfall in the near future. During the year ended March 31, 2015, the Township made approximately \$249,000 in contributions to the Authority related to water improvements. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Authority (4814 Henry Street, Norton Shores, MI 49441).

NOTE H—RETIREMENT PLAN

Defined Contribution Pension Plan

The Township maintains a defined contribution retirement plan administered by Harford Financial Services Group, Inc. that covers substantially all full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan requires the Township to contribute 10 percent of each eligible employee's annual compensation each plan year. Employees are not required to contribute to the plan.

For the year ended March 31, 2015, the Township's total contribution to the plan was \$185,169.

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE I—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Township has a retiree healthcare funding vehicle (Retiree Healthcare Plan) administered by the Burnham and Flower Group. The Retiree Healthcare Plan is established under the authority of section 115 of the IRS code and is exempt from taxation. The Retiree Healthcare Plan provides health insurance to eligible retirees and their spouses until the retiree reaches age 65 through the Township’s group health insurance plan which covers both active and retired members. Act No. 149 of the Public Acts of 1999 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the Retiree Healthcare Plan to the respective employer entities; that authority rests with the Township. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Charter Township of Fruitport
 6543 Airline Road
 Fruitport, Michigan 49415

Funding Policy

Plan members are required to contribute \$32 per month to the Plan. The contribution requirements of plan members and the Township are established and may be amended by the Township Board. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Township. For the year ended March 31, 2015, the Township contributed \$59,115 to the Retiree Healthcare Plan, of which \$16,380 were direct payments for retiree insurance and \$42,735 were contributed to the trust, which is 30.2% of the other postemployment benefit (OPEB) cost.

Annual OPEB Cost and Net OPEB Obligation

The Township’s OPEB cost is calculated based on the annual required contribution (ARC), an actuarially-determined amount. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township’s annual OPEB cost for the year, the amount actually contributed to the Retiree Healthcare Plan, and changes in the Township’s net OPEB obligation:

	Governmental activities	Business-type activities	Total
Annual required contribution	\$ 162,980	\$ 31,872	\$ 194,852
Interest on net OPEB obligation	42,696	1,690	44,386
Adjustment to annual required contribution	(42,097)	(1,667)	(43,764)
Net OPEB cost	163,579	31,895	195,474
Payments made to or on behalf of retirees	-	(16,380)	(16,380)
Contributions made to OPEB trust	(5,515)	(37,220)	(42,735)
Change in net OPEB obligation	158,064	(21,705)	136,359
Net OPEB obligation at beginning of year	889,517	35,225	924,742
Net OPEB obligation at end of year	\$ 1,047,581	\$ 13,520	\$ 1,061,101

Charter Township of Fruitport
NOTES TO FINANCIAL STATEMENTS
 March 31, 2015

NOTE I—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
3/31/13	\$ 177,498	12.1 %	\$ 794,639
3/31/14	191,980	32.2	924,742
3/31/15	195,474	30.2	1,061,101

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the Retiree Healthcare Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of Retiree Healthcare Plan members not contributing to the Retiree Healthcare Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the March 31, 2012 actuarial valuation using the entry age level percent actuarial cost method. The actuarial assumptions included (a) 4.8 percent discount rate and (b) an annual healthcare trend of 9% initially, reduced by decrements to an ultimate rate of 5 percent after 4 years. Both rates assume a 4 percent inflation assumption. The Retiree Healthcare Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2012 is 30 years.

Funded Status and Progress

As of March 31, 2012, the most recent valuation date, the Retiree Healthcare Plan was 7.0% funded. The actuarial accrued liability for benefits was approximately \$1,335,000, and the actuarial value of assets was \$94,000, resulting in an unfunded actuarial liability (UAAL) of approximately \$1,241,000. The covered payroll (annual payroll of active employees covered by the Retiree Healthcare Plan) and the ratio of the UAAL to the covered payroll were not available.

The schedule of funding progress, presented as required supplementary information following the note to the financial statements, presents multiyear trend information that shows whether the actuarial value of the Retiree Healthcare Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE J—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 48 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Fruitport
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 601,750	\$ 600,050	\$ 618,899	\$ 18,849
Licenses and permits	162,000	179,500	181,270	1,770
Intergovernmental revenues - State	918,100	991,010	994,625	3,615
Charges for services	215,500	223,115	224,774	1,659
Fines and forfeitures	300	950	1,250	300
Investment earnings	2,000	3,400	8,006	4,606
Other	8,500	9,200	12,281	3,081
Total revenues	1,908,150	2,007,225	2,041,105	33,880
EXPENDITURES				
Current				
General government				
Township board	66,420	72,620	69,636	2,984
Supervisor	81,350	81,350	79,289	2,061
Elections	27,010	27,010	26,933	77
Assessing	188,400	188,400	139,614	48,786
Clerk	66,455	66,455	60,511	5,944
Treasurer	157,815	157,815	139,143	18,672
General office	80,920	80,920	78,675	2,245
Board of review	4,500	4,500	3,827	673
Building and grounds	79,365	78,865	68,535	10,330
Cemetery	55,815	54,465	42,946	11,519
Public works				
Roads	20,300	25,150	24,407	743
Bike path	10,100	10,100	6,975	3,125
Community and economic development				
Planning	21,995	21,995	14,730	7,265
Zoning	5,050	5,050	2,368	2,682
Brownfield Authority	5,040	5,040	-	5,040
Culture and recreation				
Recreation and parks	93,000	93,000	91,000	2,000
Other governmental functions	20,515	20,615	20,583	32
Debt service				
Interest and fees	37,602	37,502	37,361	141
Capital outlay	326,000	358,000	337,729	20,271
Total expenditures	1,347,652	1,388,852	1,244,262	144,590
Excess of revenues over expenditures	560,498	618,373	796,843	178,470
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	60,000	77,000	62,558	(14,442)
Transfers out	(900,022)	(900,022)	(858,606)	41,416
Total other financing sources (uses)	(840,022)	(823,022)	(796,048)	26,974
Net change in fund balance	<u>\$ (279,524)</u>	<u>\$ (204,649)</u>	795	<u>\$ 205,444</u>
Fund balance at April 1, 2014			1,402,231	
Fund balance at March 31, 2015			<u>\$ 1,403,026</u>	

Charter Township of Fruitport
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Public Safety Fund
 For the year ended March 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 1,096,000	\$ 1,096,000	\$ 1,119,143	\$ 23,143
Intergovernmental revenues				
Federal	500	34,800	34,866	66
State	2,000	5,600	7,282	1,682
Charges for services	119,200	128,750	130,118	1,368
Other	9,000	23,600	20,718	(2,882)
Total revenues	1,226,700	1,288,750	1,312,127	23,377
EXPENDITURES				
Current				
Public safety				
Police	1,051,075	1,104,875	1,097,751	7,124
Fire	1,001,120	985,020	981,647	3,373
Debt service				
Principal	62,488	62,488	62,383	105
Interest and fees	12,039	12,039	11,863	176
Capital outlay				
Police	-	20,000	19,310	690
Total expenditures	2,126,722	2,184,422	2,172,954	11,468
Excess of revenues under expenditures	(900,022)	(895,672)	(860,827)	34,845
OTHER FINANCING SOURCES				
Transfers in	900,022	900,022	858,606	(41,416)
Net change in fund balance	<u>\$ -</u>	<u>\$ 4,350</u>	(2,221)	<u>\$ (6,571)</u>
Fund balance at April 1, 2014			52,712	
Fund balance at March 31, 2015			<u>\$ 50,491</u>	

Charter Township of Fruitport
 Required Supplementary Information
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS PLAN
 For the year ended March 31, 2015

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
3/31/09	\$ -	\$ 1,783	\$ 1,783	- %	Not Available	Not Available
3/31/12	94	1,335	1,241	7.0	Not Available	Not Available

Additional actuarial data is not available and will be provided in subsequent years.

OTHER SUPPLEMENTAL INFORMATION

Charter Township of Fruitport
COMBINING BALANCE SHEET
 Other Governmental Funds
 March 31, 2015

	Total Other Governmental Funds	Special Revenue		Capital Projects
		Street Light	Drug Forfeiture	Revolving Road
ASSETS				
Cash and investments	\$ 420,586	\$ 365,445	\$ 2,211	\$ 52,930
Receivables				
Property taxes	7,335	7,335	-	-
Special assessments	63,070	-	-	63,070
Total assets	\$ 490,991	\$ 372,780	\$ 2,211	\$ 116,000
LIABILITIES				
Accounts payable	\$ 12,673	\$ 12,673	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	62,341	-	-	62,341
FUND BALANCES				
Restricted				
Public safety	2,211	-	2,211	-
Street lights	360,107	360,107	-	-
Assigned for road improvements	53,659	-	-	53,659
Total fund balances	415,977	360,107	2,211	53,659
Total liabilities, deferred inflows of resources and fund balances	\$ 490,991	\$ 372,780	\$ 2,211	\$ 116,000

Charter Township of Fruitport
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
Other Governmental Funds
For the year ended March 31, 2015

	Total Other Governmental Funds	Special Revenue		Capital Projects
		Street Light	Drug Forfeiture	Revolving Road
REVENUES				
Property taxes	\$ 175,373	\$ 175,373	\$ -	\$ -
Fines and forfeitures	8,493	-	8,493	-
Investment earnings	3,679	-	-	3,679
Other	18,821	-	-	18,821
Total revenues	206,366	175,373	8,493	22,500
EXPENDITURES				
Current				
Public safety	6,282	-	6,282	-
Public works	154,656	154,641	-	15
Total expenditures	160,938	154,641	6,282	15
Net change in fund balances	45,428	20,732	2,211	22,485
Fund balances at April 1, 2014	370,549	339,375	-	31,174
Fund balances at March 31, 2015	\$ 415,977	\$ 360,107	\$ 2,211	\$ 53,659

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2015

Township Board
Charter Township of Fruitport
Fruitport, Michigan

In planning and performing our audit of the financial statements of Charter Township of Fruitport as of and for the year ended March 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Fruitport's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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 attached deficiency in Charter Township of Fruitport's internal control to be a material weakness.

This communication is intended solely for the information and use of the Township Board, management, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Brickley De Long, P.C.

MATERIAL WEAKNESS

Recommendation 1: Bank reconciliation and cash entry procedures should be improved.

During our audit, we noted instances in which cash receipts and disbursements that occurred after month-end were backdated as cash transactions rather than appropriately recorded as receivables or payables. Backdating transactions contributed to difficulties and delays encountered by the Township in reconciling bank accounts.

Bank reconciliations serve as a control procedure to determine that general ledger cash account activity is in agreement with bank statement activity for the same period. The improvement of year end cash cut-off procedures would increase the accuracy of year-end cash balances and simplify the bank reconciliation process as well as improve its timeliness.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2015

To the Township Board
Charter Township of Fruitport

We have audited the financial statements of Charter Township of Fruitport for the year ended March 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you during our conference on June 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charter Township of Fruitport are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Charter Township of Fruitport's financial statements were:

Management's estimate of depreciation is based on the estimated useful life of capital assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the compensated absences liability is based on unused compensated absences at year end, union contracts, and past experience. We evaluated the key factors and assumptions used to develop the compensated absences liability estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment benefits liability (OPEB) is based on average life expectancies, age of retirement, net return of invested assets, and expected future healthcare costs. We evaluated the key factors and assumptions used to develop the OPEB liability estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Township Board
Charter Township of Fruitport
August 26, 2015
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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, with guidance and schedules from management, we assisted the Township in adjusting its Sewer and Water Funds to full accrual by reclassifying fixed assets purchased out of expenses.

We also assisted management with bank reconciliation adjustments and payroll allocations.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 26, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Township Board
Charter Township of Fruitport
August 26, 2015
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Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Township Board and management of Charter Township of Fruitport and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Brickley De Long, P.C.