

ST. JOSEPH CHARTER TOWNSHIP

FINANCIAL STATEMENTS

For the year ended
December 31, 2017

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March 22, 2018

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
St. Joseph Charter Township
St. Joseph, 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 St. Joseph Charter Township as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 18 and 44 - 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Joseph Charter Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining and individual nonmajor fund financial statements, and supporting schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Certified Public Accountants
St. Joseph, Michigan

St. Joseph Charter Township

Management's Discussion and Analysis

As management of St. Joseph Charter Township, we offer readers of the St. Joseph Charter Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2017. This discussion and analysis is designed to a) assist the reader in focusing on the significant financial issues that occurred during the year, b) provide an overview of the financial activities of the fiscal year, c) identify changes in the Township's financial position, d) identify any material deviations from the approved budget, and e) identify individual fund issues or concerns. All amounts are expressed in actual dollars.

Financial Highlights

- Per the Statement of Net Position, the assets of St. Joseph Charter Township exceeded its liabilities and deferred inflows, at the close of the fiscal year, by \$17,614,628. Of this amount, \$10,356,595 may be used to meet the Township's ongoing obligations to its citizens and creditors.
- The Township's net position increased by \$931,332 from the previous year. Of this amount, \$623,017 is reflected in the Business-Type Activities funds and \$308,315 in Governmental Activities.
- As of the close of the current fiscal year, the St. Joseph Charter Township's governmental funds reported a combined ending fund balance increase by \$258,759 to, \$5,441,673. The Township's Governmental fund balances are classified as follows:

Unassigned - General Fund - \$2,171,743 - 39.9%

Assigned - Parks, Special Revenue Funds, Capital Project Funds, Budget Appropriations - \$1,243,733 - 22.9%

Restricted - General Fund Metro Act, Special Revenue Funds, Capital Projects - \$1,822,943 - 33.5%

Committed - Public Works - \$50,000 - 0.9%

Nonspendable - Prepaid Expenses in General Fund, Public Safety Fund and Building Department Fund - \$153,254 - 2.8%

- The General Fund unassigned fund balance is sufficient to cover 143% of the 2018 General Fund budgeted expenditures of \$1,518,069. The 2018 General Fund operating budget is currently projected to have a \$149,169 decrease in fund balance. This amount has been incorporated into the 2017 "Assigned Fund Balance" total of \$1,243,733.
- St. Joseph Charter Township's total debt for the Public Safety Complex on Colfax Avenue decreased by \$105,776 this year. There are 2 years and 2 months remaining on the loan with total principal payments of \$238,071.

- The original funding for the repayment of the principal and interest on the Public Safety Complex loan was a .25 millage that was approved by the voters in November 2008. In addition, the Board authorized a transfer of additional funds from the Public Safety operating millage to cover any principal and interest payments that exceed the millage receipts. Due to the Headlee Factor on millage rates, the 2017 tax year rate was reduced to .2491 mills.
- In the Enterprise Funds, Charges for Services - water revenues - increased by \$25,624.
- Charges for Services in the Sewer Fund increased by \$51,712.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to St. Joseph Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of St. Joseph Charter Township's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of St. Joseph Charter Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of St. Joseph Charter Township include legislative, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and interest on long-term debt. The business-type activities of the Township include the water and sewer operating funds.

The government-wide financial statements can be found on pages 19 - 20 of this report.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. St. Joseph Charter 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 St. Joseph Charter 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 the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of a government-wide financial statement, 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 near-term financial decisions. 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 between governmental funds and governmental activities.

In 2017, St. Joseph Charter Township maintained 12 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 major funds - General Fund, Public Safety Fund, and Garbage and Rubbish Collection Fund. The data for the remaining non-major governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

St. Joseph Charter Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund, the Public Safety Fund, and the Garbage and Rubbish Collection Fund to demonstrate compliance with the respective appropriated budget.

The basic Governmental Fund Financial Statements can be found on pages 21 - 24 of this report.

Proprietary Funds

St. Joseph Charter Township maintains one type of proprietary fund - Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. St. Joseph Charter Township uses enterprise funds to account for its Water and Sewer Operating Funds. The Township has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Operating Funds and are considered to be major funds of the Township.

The basic Proprietary Fund Financial Statements can be found on pages 25 - 28 of this report.

Fiduciary Funds

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

St. Joseph Charter Township is a trustee/agent for other government units for which it collects tax payments. The Township is responsible for ensuring that the tax dollars collected in the Tax Fund are distributed to the proper government unit.

The basic Fiduciary Fund Financial Statements can be found on page 29 of this report.

Notes to the 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 notes to the financial statements can be found on pages 30 - 42 of this report.

Other Information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

The combined statements referred to earlier in conjunction with non-major governmental funds are presented immediately following the required supplementary statements.

The supplementary information can be found on pages 43 - 59 of this report.

Government-Wide Financial Analysis

In 2013, the Township implemented GASB Statement 65 - Deferred inflows. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expense or expenditures) or inflows of resources (revenues). For 2017, St. Joseph Charter Township had deferred inflows of \$3,082,543 for taxes levied for a subsequent period.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of St. Joseph Charter Township's financial position, assets exceeded liabilities and deferred inflows by \$17,614,628 at the close of the current fiscal year.

**St. Joseph Charter Township
Statement of Net Position**

	Governmental Activities		Business -Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and other assets	\$ 8,653,039	\$ 8,357,314	\$ 6,785,067	\$ 6,315,833	\$ 15,438,106	\$ 14,673,147
Capital assets	<u>2,553,502</u>	<u>2,613,830</u>	<u>3,189,328</u>	<u>3,050,145</u>	<u>5,742,830</u>	<u>5,663,975</u>
Total Assets	<u>11,206,541</u>	<u>10,971,144</u>	<u>9,974,395</u>	<u>9,365,978</u>	<u>21,180,936</u>	<u>20,337,122</u>
Long-term liabilities outstanding	158,024	268,204	-	-	158,024	268,204
Other liabilities	<u>281,406</u>	<u>303,129</u>	<u>44,335</u>	<u>58,935</u>	<u>325,741</u>	<u>362,064</u>
Total Liabilities	<u>439,430</u>	<u>571,333</u>	<u>44,335</u>	<u>58,935</u>	<u>483,765</u>	<u>630,268</u>
Deferred Inflows						
Taxes levied for a subsequent period	<u>3,082,543</u>	<u>3,023,558</u>	<u>-</u>	<u>-</u>	<u>3,082,543</u>	<u>3,023,558</u>
Net Position						
Net investment in capital assets	2,315,431	2,269,983	3,189,328	3,050,145	5,504,759	5,320,128
Restricted for:						
Metro Act	118,722	145,963	-	-	118,722	145,963
Special revenues	1,558,010	1,580,957	-	-	1,558,010	1,580,957
Capital projects	76,542	73,848	-	-	76,542	73,848
Unrestricted	<u>3,615,863</u>	<u>3,305,502</u>	<u>6,740,732</u>	<u>6,256,898</u>	<u>10,356,595</u>	<u>9,562,400</u>
Total Net Position	<u>\$ 7,684,568</u>	<u>\$ 7,376,253</u>	<u>\$ 9,930,060</u>	<u>\$ 9,307,043</u>	<u>\$ 17,614,628</u>	<u>\$ 16,683,296</u>

A portion of St. Joseph Charter Township's net position - \$5,504,759 reflects its net investment in capital assets (e.g., land, construction in progress, buildings, building improvements, land improvements, vehicles, furniture and equipment, and utility systems), less any related debt used to acquire those assets that is still outstanding. St. Joseph Charter Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although St. Joseph Charter Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position - \$1,753,274 - represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position - \$10,356,595 - may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the year, in the Governmental Activities category, the Township reports an increase of Total Assets of \$235,397, a \$131,903 decline in Total Liabilities, an increase of \$58,985 in Deferred Inflows and an increase of \$308,315 of Total Net Position.

In the Business-type activities, the Township is able to report an increase of \$608,417 in Total Assets, a decrease of \$14,600 in Total Liabilities, resulting in an increase in Total Net Position of \$623,017.

Total activity for current and other assets increased \$764,959 while capital assets increased \$78,855.

Total long-term liabilities decreased by \$110,180. This reflects the reduction in the long-term Notes Payable for the loan principal for the Public Safety Complex on Colfax Avenue.

Total current liabilities decreased by \$36,323 and reflect the decrease in payroll due within one year. The above has resulted in a total net position increase of \$931,332 in the current year.

**St. Joseph Charter Township
Change in Net Position**

	Governmental Activities		Business -Type Activities		Total	
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2016</u>
Revenues/Transfers:						
Program Revenues:						
Charges for services	\$ 454,362	\$ 366,759	\$ 2,081,953	\$ 2,004,618	\$ 2,536,315	\$ 2,371,377
Operating grants/contributions	1,984	2,232	-	-	1,984	2,232
Capital grants/contributions	-	-	-	-	-	-
General Revenues:						
Taxes	3,157,870	3,121,681	-	-	3,157,870	3,121,681
State revenue	813,420	752,658	-	-	813,420	752,658
Interest earnings	19,527	18,826	18,075	16,552	37,602	35,378
Other revenue	108,611	125,648	62,605	27,374	171,216	153,022
Total Revenues/Transfers	<u>4,555,774</u>	<u>4,387,804</u>	<u>2,162,633</u>	<u>2,048,544</u>	<u>6,718,407</u>	<u>6,436,348</u>
Expenses:						
General government	898,405	988,048	-	-	898,405	988,048
Public safety	2,047,973	2,124,573	-	-	2,047,973	2,124,573
Public works	710,819	591,041	-	-	710,819	591,041
Health and welfare	57,661	57,661	-	-	57,661	57,661
Recreation and culture	517,886	463,199	-	-	517,886	463,199
Community and economic development	7,124	5,552	-	-	7,124	5,552
Debt service	7,591	10,207	-	-	7,591	10,207
Water operating	-	-	407,492	234,862	407,492	234,862
Sewer operating	-	-	1,132,124	1,002,409	1,132,124	1,002,409
Total Expenses	<u>4,247,459</u>	<u>4,240,281</u>	<u>1,539,616</u>	<u>1,237,271</u>	<u>5,787,075</u>	<u>5,477,552</u>
Increase (Decrease) in Net Position	308,315	147,523	623,017	811,273	931,332	958,796
Net Position, January 1	<u>7,376,253</u>	<u>7,228,730</u>	<u>9,307,043</u>	<u>8,495,770</u>	<u>16,683,296</u>	<u>15,724,500</u>
Net Position, December 31	<u>\$ 7,684,568</u>	<u>\$ 7,376,253</u>	<u>\$ 9,930,060</u>	<u>\$ 9,307,043</u>	<u>\$ 17,614,628</u>	<u>\$ 16,683,296</u>

Governmental Activities

Governmental activities increased the Township's net position by \$308,815. Key elements of this increase are as follows:

In comparing 2017 to 2016:

- The 2017 Property Taxes levy increased by \$36,189.
- State revenue increased by \$60,762.
- Interest earnings increased by \$701.
- Charges for Services in Governmental Activities increased by \$87,603 which is related to the increase in building department permit revenues.
- Other Revenue decreased by \$17,037.
- Total expenditures in Governmental activities increased by \$7,178.
- General government expenditures decreased by \$89,643 and Public Safety expenditures decreased by \$76,600.
- Public Works expenditures increased \$119,778, and Recreation and Culture increased by \$54,687.
- For 2017, interest payments on the Colfax Public Safety Complex loan declined by \$2,616.
- In Community and Economic Development expenses increased by \$1,572 and Health and Welfare were unchanged.

Business-Type Activities

Business-type activities increased the Township's net position by \$623,017. Key elements of this increase are as follows:

Charges for services increased by \$77,335 due to water rate increases, interest earnings increased by \$1,523, and other revenue increased by \$35,231 due to reimbursements from the City of Benton Harbor and City of St. Joseph for the Township's interconnect meter project.

- Expenses in the Water Operating Fund increased by \$172,630 while expenditures in the Sewer Operating Fund increased by \$129,715, for a total increase of \$302,345.

Financial Analysis of the Township's Funds

As noted earlier, St. Joseph Charter Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of St. Joseph Charter Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing St. Joseph Charter Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Following are details of the Township's three major funds - General Operating, Public Safety, and Garbage and Rubbish Collection Funds.

As of the end of the current fiscal year, St. Joseph Charter Township's governmental funds reported a combined ending fund balance of \$5,441,673, an increase of \$258,759. Approximately 39.9% of this total amount - \$2,171,743 - is Unassigned Fund Balance in the General Fund, which is available for spending at the Township's discretion.

Another 22.9%, or \$1,243,733, is Assigned Fund Balance - Parks, Special Revenue Funds, Capital Projects Funds, and General Fund budget appropriations.

An additional \$1,822,943, or 33.5%, is Restricted Fund Balance for the Metro Act funding and Special Revenue Funds and capital projects.

The Committed fund balance for Public Works remained at \$50,000. The remaining \$153,254 is Nonspendable Fund Balance - prepaid expense in General, Public Safety and Building Department Funds.

GENERAL FUND

The General Fund is the chief operating fund of St. Joseph Charter Township. At the end of the current fiscal year, unassigned fund balance was \$2,171,743, while total fund balance was increased to \$2,565,966. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 143% of the General Fund 2018 budgeted expenditures of \$1,518,069.

However, \$394,223 is now classified as Assigned, Committed, Non-spendable and Restricted and would not be available to meet ongoing obligations to the Township's citizens or creditors. Of this amount, \$149,169 has been assigned to budget appropriations, as the 2018 expenditure budget is greater than anticipated revenues.

The fund balance of St. Joseph Charter Township's General Fund increased by \$227,347 during the current year compared to the \$160,505 increase in 2016. Key factors in this increase are as follows:

- While the original revenue budget was \$1,292,650, actual revenues were \$1,459,390. The Township budgeted \$690,000 for State Revenue Sharing and actual receipts were \$761,867. Interest earnings were up approximately \$5,498 and reimbursements/refunds were up \$30,102. Cable franchise fees increased \$18,352. Property taxes and administration fees were up \$14,587.

- This year's original expenditure budget was \$1,349,640. Actual expenditures were \$1,232,043 or \$117,597 less than the amended budget. Therefore, the increased revenues and reduction in expenditures resulted in an increase to fund balance of \$277,347.
- The primary budget variance in expenditure reductions occurred in the following departments: Administration department of \$26,563 - With a new Township Manager and Accountant, savings in salary and fringes resulted in \$14,941, office supplies were down by \$5,369 along with professional services decreasing \$2,596 and various other expenditures decreasing \$3,657.
- In the Clerk's department, there was a savings of \$7,061, salary and fringe costs savings of \$3,428, office supplies of \$1,951 and other expenditures \$1,682.
- In Township Services, there was a savings of \$21,885. Professional Services was under spent by \$6,786; in addition, \$34,500 was budgeted for roads, and only \$8,535 was spent. Other expenditures were also under spent in the amount of \$6,564.
- Assessing - \$20,495 reduction - \$10,000 was budgeted for independent appraisals and \$0 was spent. Legal services were \$9,316 under budget, and various other expenditures were under spent in the amount of \$1,179.
- Elections - \$1,771 was over spent in various expenditures. There were two elections in 2017, Benton Harbor Area Schools in May and Lakeshore Public Schools in November, and they were small elections. The Township has always budgeted for an additional election. Also, \$35,000 was set aside in Committed Funds for new election equipment, and only \$10,622 was spent.
- Building and grounds - \$29,252 savings - \$7,100 was budgeted for the equipment and grounds, and \$5,223 was left unspent. Utilities were under budgeted by \$5,894, insurance premiums were under budgeted by \$16,244 and various other expenditures underspent by \$1,891.
- Parks and Recreation - \$4,114 under budget – Various line expenditures were under budget.

SPECIAL REVENUE FUNDS - PUBLIC SAFETY

In 2017, the fund balance of St. Joseph Charter Township's Public Safety Fund decreased by \$36,707. The original budget projections were a deficit of \$227,430. At the end of the current fiscal year, the restricted fund balance of the Public Safety Fund was \$1,276,263, and \$75,424 was non-spendable. As a measure of the Public Safety Fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 62.5% of total Public Safety 2017 budgeted expenditures of \$2,041,830.

The key factors in this change for the Public Safety Fund are as follows:

- Total revenue from all sources - \$1,871,138 - exceeded the amended budget by \$52,238 and total expenditures before transfers - \$1,894,295 - were \$133,985 less than the amended budget of \$2,028,280. As personal property taxes will continue to decline due to the new personal property law, property tax revenues will probably not increase dramatically in the near term. For 2017, all property tax sources increased only \$17,869 from last year.

The 2017 increase in revenues was distributed across all revenue line items - \$17,869 in real and personal property taxes, \$29,000 in sale of equipment, and \$6,531 in reimbursements/refunds. We also received funds for insurance claims reimbursement of \$13,664.

- Expenditure reductions in the Police Department totaled \$108,403. Savings were distributed across various line items. Expenditures in the salary, holiday pay and fringe costs were \$58,612 less than budgeted. This was due in part to the retirement of a police officer and his replacement was at a lower pay schedule. Health insurance premiums were \$4,292 less than budget. Due to the reduction in gasoline costs, a \$10,181 reduction from budget was realized. Professional services were \$8,660 less than projected.
- Fire Station #1 had a savings of \$16,884. Over \$10,996 was saved in wages and fringe costs as the number of fire calls were less than budgeted, while professional services were \$1,880 under budget. There were savings in nearly every other expenditure line item between \$1,000 and \$3,000.
- Fire Station #2 had a savings of \$8,684 of which \$8,000 was in wages and fringe costs. Various other line items had savings also.
- The Public Safety Fund transferred out \$13,550 to the Fire Improvement Fund for the principal and interest payments on the Public Safety Complex loan as the property tax collections were insufficient to complete the yearly payments.

SPECIAL REVENUE FUNDS - GARBAGE AND RUBBISH COLLECTION FUND

In 2017, the Township's Garbage and Rubbish Collection fund balance declined \$79,318. At the end of the current fiscal year, the restricted fund balance of the Garbage and Rubbish Collection Fund was \$124,294. As a measure of the Garbage and Rubbish Collection Fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 17.7% of total Garbage and Rubbish Collection expenditures of \$703,628 for 2017.

The key factors in this decline are as follows:

- Property tax receipts were \$14,149 more than budget, and income from other sources was only \$711 more than budget, for a total variance of \$14,860.
- For 2017, total revenue sources budget was \$609,450, and receipts were \$624,310.
- The 2017 expenditure budget was \$694,685. Actual expenditures were \$703,628, resulting in the reduction in fund balance of \$79,318.
- Property tax revenues are currently insufficient to cover the continuing escalation in trash removal services. In addition, with the new law reducing personal property taxes, revenues will continue to decline or have a minimal increase in the future.
- A 2.1% rate increase from Best Way Disposal was received in 2017, with another 2.1% increase scheduled for 2018.

The remaining Governmental Funds fund balances increased by \$147,437. At the end of the fiscal year, the non-spendable fund balance was \$1,498, the restricted fund balance was \$303,664, and the assigned fund balance was \$1,094,564, for a total of \$1,399,726.

Proprietary Funds

The Township's proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

- Unrestricted net position of the Water Operating and Sewer Operating Funds, at the end of the current fiscal year, amounted to \$6,740,732, an increase of \$483,834.
- The total change in net position was an increase of \$232,583 in the Sewer Fund and an increase of \$390,434 in the Water Fund.
- Two new permanent generators were installed at various high-volume lift stations.
- In the Sewer Fund, receipts of sewer services increased by \$51,711 and Water Fund receipts increased \$25,624. In 2017, City of St. Joseph increased their water rates and, as the Township's 50% surcharge are based on the City's rate, there was an increase in revenue. There has not been a sewer rate increase for several years. The Township has been notified that there will be a sewer rate increase effective January 1, 2018. Therefore, sewer revenue for 2018 should increase.

In July 2007, each of the three township boards (Lincoln Charter, Royalton & St. Joseph Charter) met to create a new authority - Southwest Michigan Regional Sanitary Sewer & Water Authority (SWMRSS&WA). In August of 2016 the Authority issued Water Supply System Refunding Bonds, Series 2016 in the amount of \$4,190,000 to advance certain obligations of the member townships and to pay expenses related to the issuance of the bonds. The proceeds were used to redeem the 2007 bonds issued by the Lake Michigan Shoreline Water & Sewage Treatment Authority. The redemption occurred in April 2017. After redemption of the bonds, The Lake Michigan Shoreline Water & Sewage Treatment Authority was dissolved on June 30, 2017 and all assets were transferred to SWMRSS&WA. The three townships are responsible for their pro-rata share of principle and interest. The repayment of interest and principal are expensed to the Water Operating Fund.

In 2010, the Southwest Michigan Regional Sanitary Sewer and Water Authority sold \$9,000,000 in Build America Bonds for relining the Hickory Creek Interceptor. Until 2040, the townships of St. Joseph Charter, Lincoln Charter and Royalton are responsible for the pro-rata share of principal and 85% of the interest payments due on the bonds. In 2017, the Township's share of the bond and interest payment was \$129,096. The three Townships' share of the interest payment was increased due to the federal government's reduction in their contribution to the Build America Bond interest payment by approximately 9%. For the 2017 principal payment, there are unused construction funds available from the original bond issue.

In 2017, the Township's share of principal and interest payments were budgeted at \$160,851.

General Fund Budgetary Highlights

During the year, there was a \$20,000 increase in expenditure appropriations between the original and amended budget.

- The Parks and Recreation budget was increased by \$20,000 for land/site improvements.

Capital Asset and Debt Administration

St. Joseph Charter Township's investment in capital assets for its governmental and business-type activities as of December 31, 2017, was \$5,719,994 (net of accumulated depreciation). This investment in capital assets includes, land, construction in progress, buildings, building improvements, land improvements, books, vehicles, furniture and equipment, and utility system. The total decrease in the Township's investment in capital assets for the current fiscal year was 1% or \$56,019.

St. Joseph Charter Township Capital Assets (Net of Depreciation)

	Governmental Activities		Business -Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	\$ 551,174	\$ 551,174	\$ -	\$ -	\$ 551,174	\$ 551,174
Buildings	1,129,223	1,191,688	200	296	1,129,423	1,191,984
Building improvements	61,327	38,694	-	-	61,327	38,694
Land improvements	127,802	146,931	-	-	127,802	146,931
Vehicles	483,057	521,861	15,476	18,678	498,533	540,539
Furniture and equipment	200,919	163,482	159,765	134,878	360,684	298,360
Utility systems	-	-	3,013,887	2,896,293	3,013,887	2,896,293
Total Capital Assets	\$ 2,553,502	\$ 2,613,830	\$ 3,189,328	\$ 3,050,145	\$ 5,742,830	\$ 5,663,975

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

- Two new permanent generators were installed at lift stations.
- Depreciation expenses for the utility systems in the water and sewer operating funds were \$129,483 and depreciation for governmental functions was \$229,392.

Additional information on St. Joseph Charter Township's capital assets can be found in Note D on pages 37 - 38 of this report.

Long-Term Debt

In January 2010, St. Joseph Charter Township signed a promissory note for \$995,000 for the repayment of the construction loan for the Public Safety Complex on Colfax Avenue. The note was for 10 years and payments for principal and interest are on a monthly basis. The residents of the Township passed a .25 millage in November 2008 that is being used to repay this loan.

**St. Joseph Charter Township
Outstanding Debt
Public Safety Complex**

January 1, 2017 Balance	\$ 343,847
Less 2017 Payment	<u>(105,776)</u>
December 31, 2017 Balance	<u>\$ 238,071</u>

Year Ending December 31	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 108,540	\$ 4,827	\$ 113,367
2019	111,351	2,016	113,367
2020	<u>18,180</u>	<u>58</u>	<u>18,238</u>
	<u>\$ 238,071</u>	<u>\$ 6,901</u>	<u>\$ 244,972</u>

- In 2017, the Township's principal payments were \$105,776, reducing the loan balance to \$238,071.
- For 2017, due to the Headlee Factor, the millage rate was reduced to .2491.
- There are no other long-term debts for the Township.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- In November, 2014, the Township Board approved a new Blue Cross/Blue Shield medical insurance plan that met the requirements of the Affordable Care Act. Premium rates are now based on the age of each person enrolled in the plan. Deductible and out-of-pocket charges were changed as well, resulting in a minimal increase in cost to the Township, but some employees will experience substantial increases in their monthly payroll deduction for medical premiums. 2017 Dental insurance premiums declined 1.7% based upon classification. Vision insurance premiums were increased by 1%.
- Full-time employees will continue to pay 10% of the medical, dental and vision insurance premiums.
- The Police Department has budgeted funds for the replacement of two squad cars and related interior equipment.
- In 2010 the Southwest Michigan Regional Sanitary Sewer and Water Authority began the relining project of the Hickory Creek Interceptor. This interceptor is utilized by the residents that are served by the City of St. Joseph Water plant - SJCT-West. The Authority issued Build America Bonds in the amount of \$9,000,000. Due to the 2013 federal sequestration, the federal government did not contribute its full 35% share of the Build America Bond interest payment and the three Townships were required to pay the balance. Therefore, additional funds have been included for 2017 in the event that the federal government reduces its contribution.
- To make the above payments, the quarterly sewer flat charge of \$13.69 per account will continue for 2017.
- In 2016, the Township residents passed a 10-year renewal millage for Library Services. Sufficient funds have been received from the millage to maintain the Township's yearly contributions contract of \$175,000 with the City of St. Joseph for library services at the Maud Preston Palenske Memorial Library.
- During the current fiscal year, the unassigned fund balance in the General Fund increased to \$2,171,743 with \$76,332 in non-spendable fund balance, \$118,722 in restricted, \$50,000 in committed fund balance for public works, and \$149,169 assigned for budget appropriations.
- The 2018 General Fund operating budget was approved with a projection that there will be a \$149,169 decrease in fund equity. Medical insurance premiums will continue to impact several departments due to the new ACA age-rated calculations. In Township Services, additional funds have been budgeted for the Township's contribution to the Berrien County Road Commission for subdivision road repairs. Additional funds have also been budgeted for the drain assessments in the new district created last year. The Elections budget was increased from prior year as it is anticipated that there will be only three school elections in 2018. If Berrien County should decide to have a special election, the budget will need to be adjusted accordingly. All department budgets will be closely monitored during the year and the Board of Trustees will be kept apprised on the actual and anticipated revenue and expenditures. Budget adjustments will be made as needed. Revenue projections are \$1,292,650 and expenditures are projected at \$1,349,640. For the two major sources of revenue for the General Fund - State Revenue Sharing funds were budgeted with no increase and property taxes were also flat.

- In the Public Safety Fund, the budget was approved with a projection that there will be a \$227,430 reduction to assigned fund balance. In 2018, two squad cars will be replaced at an estimated cost of \$66,000. The 2017 union contract was negotiated with a 2% wage increase for 2018. The wage increase and related fringe benefit costs will contribute to the increase in budget for this department. In addition, funds were budgeted for new squad car computers and two office computers. In addition, funds were budgeted for the replacement of five squad car video units with body cameras and software for each unit. Total revenue is projected to be \$1,814,400, while expenditures are projected to be \$2,041,330.
- For 2018, the Garbage and Rubbish Collection Fund is projected to have revenues of \$609,450, with expenditures of \$694,685, resulting in a reduction to fund equity of \$85,235.
- It is anticipated that in 2018, the Water Operating Fund will expend approximately \$133,915 for the Township's share of bond principal and interest for the reissuance of water tower bonds by Southwest Michigan Regional Sanitary Sewer and Water Authority.
- It is anticipated that in 2018 the Sewer Operating Fund will expend approximately \$179,670 as the Township's share of the bond principal and interest for the Southwest Michigan Regional Sanitary Sewer and Water Treatment Authority's Hickory Creek Interceptor project. This budget amount is based upon the federal government not contributing its original 35% share of interest payments. The budget is based on receiving only 25% from the federal government. A similar percentage was made in the federal government's share in 2017.

Request for Information

This financial report is designed to provide a general overview of St. Joseph Charter Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**St. Joseph Charter Township
3000 Washington Avenue
P. O. Box 147
St. Joseph, MI 49085**

ST. JOSEPH CHARTER TOWNSHIP
Statement of Net Position
December 31, 2017

	Primary Government		
	Governmental	Business-Type	
Assets	Activities	Activities	Total
Cash	\$ 5,602,701	\$ 6,668,650	\$ 12,271,351
Taxes receivable	1,358,432	22,804	1,381,236
Accounts receivable	25,779	-	25,779
Due from fiduciary funds	1,393,830	6,583	1,400,413
Due from other governments	119,043	63,145	182,188
Prepaid expenses	153,254	23,885	177,139
Capital assets:			
Nondepreciable	551,174	-	551,174
Depreciable, net of accumulated depreciation	<u>2,002,328</u>	<u>3,189,328</u>	<u>5,191,656</u>
Total Assets	<u>11,206,541</u>	<u>9,974,395</u>	<u>21,180,936</u>
Liabilities			
Current Liabilities			
Accounts payable	80,996	42,081	123,077
Internal balances	1,597	(1,597)	-
Payroll liabilities	46,230	2,780	49,010
Compensated absences	44,043	1,071	45,114
Note payable	<u>108,540</u>	<u>-</u>	<u>108,540</u>
Total Current Liabilities	<u>281,406</u>	<u>44,335</u>	<u>325,741</u>
Noncurrent Liabilities			
Compensated absences	28,493	-	28,493
Note payable	<u>129,531</u>	<u>-</u>	<u>129,531</u>
Total Noncurrent Liabilities	<u>158,024</u>	<u>-</u>	<u>158,024</u>
Total Liabilities	<u>439,430</u>	<u>44,335</u>	<u>483,765</u>
Deferred Inflows			
Taxes levied for a subsequent period	<u>3,082,543</u>	<u>-</u>	<u>3,082,543</u>
Net Position			
Net investment in capital assets	2,315,431	3,189,328	5,504,759
Restricted for:			
Metro Act	118,722	-	118,722
Special revenues	1,558,010	-	1,558,010
Capital projects	76,542	-	76,542
Unrestricted	<u>3,615,863</u>	<u>6,740,732</u>	<u>10,356,595</u>
TOTAL NET POSITION	<u>\$ 7,684,568</u>	<u>\$ 9,930,060</u>	<u>\$ 17,614,628</u>

See accompanying notes to basic financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Statement of Activities
For the year ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 898,405	\$ 173,651	\$ -	\$ -	\$ (724,754)	\$ -	\$ (724,754)
Public safety	2,047,973	265,211	1,984	-	(1,780,778)	-	(1,780,778)
Public works	710,819	15,500	-	-	(695,319)	-	(695,319)
Health and welfare	57,661	-	-	-	(57,661)	-	(57,661)
Community and economic development	7,124	-	-	-	(7,124)	-	(7,124)
Recreation and culture	517,886	-	-	-	(517,886)	-	(517,886)
Interest on long-term debt	7,591	-	-	-	(7,591)	-	(7,591)
Total Governmental Activities	4,247,459	454,362	1,984	-	(3,791,113)	-	(3,791,113)
Business-Type Activities:							
Sewer fund	1,132,124	1,355,792	-	-	-	223,668	223,668
Water fund	407,492	726,161	-	-	-	318,669	318,669
Total Business-Type Activities	1,539,616	2,081,953	-	-	-	542,337	542,337
Total Primary Government	\$ 5,787,075	\$ 2,536,315	\$ 1,984	\$ -	(3,791,113)	542,337	(3,248,776)
General Revenues:							
Property taxes					3,157,870	-	3,157,870
State revenue					813,420	-	813,420
Interest					19,527	18,075	37,602
Other revenue					108,611	62,605	171,216
Total General Revenues and Transfers					4,099,428	80,680	4,180,108
Change in Net Position					308,315	623,017	931,332
Net Position - Beginning of Year					7,376,253	9,307,043	16,683,296
NET POSITION - END OF YEAR					\$ 7,684,568	\$ 9,930,060	\$ 17,614,628

See accompanying notes to basic financial statements.

**ST. JOSEPH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2017**

	General Fund	Public Safety Fund	Garbage and Rubbish Collection Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,395,796	\$ 1,515,895	\$ 257,499	\$ 1,433,511	\$ 5,602,701
Taxes receivable	161,645	797,245	272,589	126,953	1,358,432
Accounts receivable	25,779	-	-	-	25,779
Due from other funds	160,286	822,146	280,648	130,750	1,393,830
Due from other governments	119,043	-	-	-	119,043
Prepaid expense	76,332	75,424	-	1,498	153,254
	<u>2,938,881</u>	<u>3,210,710</u>	<u>810,736</u>	<u>1,692,712</u>	<u>8,653,039</u>
TOTAL ASSETS	\$ 2,938,881	\$ 3,210,710	\$ 810,736	\$ 1,692,712	\$ 8,653,039
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,947	\$ 5,173	\$ 64,010	\$ 1,866	\$ 80,996
Payroll liabilities	11,602	33,396	-	1,232	46,230
Due to other funds	1,597	-	-	-	1,597
	<u>23,146</u>	<u>38,569</u>	<u>64,010</u>	<u>3,098</u>	<u>128,823</u>
Total Liabilities	23,146	38,569	64,010	3,098	128,823
Deferred Inflows:					
Taxes levied for a subsequent period	<u>349,769</u>	<u>1,820,454</u>	<u>622,432</u>	<u>289,888</u>	<u>3,082,543</u>
Fund Balances:					
Nonspendable:					
Prepaid expense	76,332	75,424	-	1,498	153,254
Restricted for:					
Metro Act	118,722	-	-	-	118,722
Special revenue	-	1,276,263	124,294	227,122	1,627,679
Capital projects	-	-	-	76,542	76,542
Committed for:					
Public Works	50,000	-	-	-	50,000
Assigned to:					
Capital projects	-	-	-	1,094,564	1,094,564
Budget appropriations	149,169	-	-	-	149,169
Unassigned:					
General Fund	<u>2,171,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,171,743</u>
	<u>2,565,966</u>	<u>1,351,687</u>	<u>124,294</u>	<u>1,399,726</u>	<u>5,441,673</u>
Total Fund Balances	2,565,966	1,351,687	124,294	1,399,726	5,441,673
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 2,938,881	\$ 3,210,710	\$ 810,736	\$ 1,692,712	\$ 8,653,039

See accompanying notes to basic financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

Fund balances of governmental funds	\$ 5,441,673
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	2,553,502
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(238,071)
Compensated absences are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	<u>(72,536)</u>
Net position of governmental activities	<u>\$ 7,684,568</u>

**ST. JOSEPH CHARTER TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the year ended December 31, 2017**

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Garbage and Rubbish Collection Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 445,109	\$ 1,800,869	\$ 622,849	\$ 289,043	\$ 3,157,870
Licenses and permits	132,902	-	-	255,720	388,622
State grants:					
Operating grants	813,420	-	-	1,984	815,404
Charges for services	9,570	2,358	-	15,500	27,428
Fines and forfeitures	50	7,133	-	-	7,183
Interest and rent:					
Rent	-	-	-	31,129	31,129
Interest	7,998	5,647	1,461	4,421	19,527
Other revenue	50,341	55,131	-	39,088	144,560
	<u>1,459,390</u>	<u>1,871,138</u>	<u>624,310</u>	<u>636,885</u>	<u>4,591,723</u>
Total Revenues					
Expenditures:					
Current:					
General government	903,397	-	-	33,559	936,956
Public safety	28,631	1,836,634	-	170,441	2,035,706
Public works	-	-	703,628	-	703,628
Health and welfare	-	57,661	-	-	57,661
Community and economic development	7,124	-	-	-	7,124
Recreation and culture	292,891	-	-	185,631	478,522
Debt retirement:					
Principal	-	-	-	105,776	105,776
Interest	-	-	-	7,591	7,591
	<u>1,232,043</u>	<u>1,894,295</u>	<u>703,628</u>	<u>502,998</u>	<u>4,332,964</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>227,347</u>	<u>(23,157)</u>	<u>(79,318)</u>	<u>133,887</u>	<u>258,759</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	13,550	13,550
Transfers out	-	(13,550)	-	-	(13,550)
	<u>-</u>	<u>(13,550)</u>	<u>-</u>	<u>13,550</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	227,347	(36,707)	(79,318)	147,437	258,759
Fund Balances - Beginning of the Year	<u>2,338,619</u>	<u>1,388,394</u>	<u>203,612</u>	<u>1,252,289</u>	<u>5,182,914</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,565,966</u>	<u>\$ 1,351,687</u>	<u>\$ 124,294</u>	<u>\$ 1,399,726</u>	<u>\$ 5,441,673</u>

See accompanying notes to basic financial statements.

ST. JOSEPH CHARTER TOWNSHIP
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the year ended December 31, 2017

Net change in fund balances - total governmental funds \$ 258,759

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

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

Depreciation expense	(229,392)
Capital outlay	205,013

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized over the life of the bond in the statement of activities.

Principal payments	105,776
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Changes in compensated absences are reported as expenditures when financial resources are used in governmental funds.	4,108
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The net effect of trade-ins and sales involving capital assets is to decrease net position.	(35,949)
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Changes in net position of governmental activities	\$ 308,315
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ST. JOSEPH CHARTER TOWNSHIP
PROPRIETARY FUNDS
Statement of Net Position
December 31, 2017

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
Assets			
Current Assets:			
Cash	\$ 3,047,858	\$ 3,620,792	\$ 6,668,650
Receivables	17,438	5,366	22,804
Due from other funds	7,682	498	8,180
Due from other governments	37,755	25,390	63,145
Prepaid expenses	<u>23,590</u>	<u>295</u>	<u>23,885</u>
Total Current Assets	<u>3,134,323</u>	<u>3,652,341</u>	<u>6,786,664</u>
Noncurrent Assets:			
Capital assets, net of accumulated depreciation			
Buildings	200	-	200
Vehicles	15,476	-	15,476
Furniture and equipment	159,765	-	159,765
Utility systems	<u>152,438</u>	<u>2,861,449</u>	<u>3,013,887</u>
Total Noncurrent Assets	<u>327,879</u>	<u>2,861,449</u>	<u>3,189,328</u>
Total Assets	<u>3,462,202</u>	<u>6,513,790</u>	<u>9,975,992</u>
Liabilities and Net Position			
Current Liabilities:			
Accounts payable	42,081	-	42,081
Payroll liabilities	2,547	233	2,780
Compensated absences	<u>1,071</u>	<u>-</u>	<u>1,071</u>
Total Current Liabilities	<u>45,699</u>	<u>233</u>	<u>45,932</u>
Total Liabilities	<u>45,699</u>	<u>233</u>	<u>45,932</u>
Net Position:			
Net investment in capital assets	327,879	2,861,449	3,189,328
Unrestricted	<u>3,088,624</u>	<u>3,652,108</u>	<u>6,740,732</u>
TOTAL NET POSITION	<u>\$ 3,416,503</u>	<u>\$ 6,513,557</u>	<u>\$ 9,930,060</u>

**ST. JOSEPH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 Statement of Revenues, Expenses, and
 Changes in Net Position
 For the year ended December 31, 2017**

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:			
Charges for services	\$ 1,355,792	\$ 726,161	\$ 2,081,953
Other revenue	<u>893</u>	<u>61,712</u>	<u>62,605</u>
Total Operating Revenues	<u>1,356,685</u>	<u>787,873</u>	<u>2,144,558</u>
Operating Expenses:			
Water	-	301,162	301,162
Sewer	1,108,971	-	1,108,971
Depreciation	<u>23,153</u>	<u>106,330</u>	<u>129,483</u>
Total Operating Expenses	<u>1,132,124</u>	<u>407,492</u>	<u>1,539,616</u>
Operating Income	<u>224,561</u>	<u>380,381</u>	<u>604,942</u>
Nonoperating Revenue:			
Interest income	<u>8,022</u>	<u>10,053</u>	<u>18,075</u>
Total Nonoperating Revenue	<u>8,022</u>	<u>10,053</u>	<u>18,075</u>
Change in Net Position	232,583	390,434	623,017
Total Net Position - Beginning of Year	<u>3,183,920</u>	<u>6,123,123</u>	<u>9,307,043</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 3,416,503</u>	<u>\$ 6,513,557</u>	<u>\$ 9,930,060</u>

**ST. JOSEPH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the year ended December 31, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 1,351,851	\$ 788,221	\$ 2,140,072
Payments to employees	(141,110)	(12,359)	(153,469)
Payments of benefits on behalf of employees	(82,884)	(6,295)	(89,179)
Payments to suppliers	(679,375)	(77,021)	(756,396)
Payments to LMSW and STA	(193,454)	(236,215)	(429,669)
Net cash provided by operating activities	255,028	456,331	711,359
Cash Flows From Capital and Related Financing Activities:			
Interest received	8,022	10,053	18,075
Purchase of fixed assets	(39,702)	(228,964)	(268,666)
Net cash used by capital and related financing activities	(31,680)	(218,911)	(250,591)
Net increase in cash	223,348	237,420	460,768
Balances - Beginning of Year	2,824,510	3,383,372	6,207,882
BALANCES - END OF YEAR	\$ 3,047,858	\$ 3,620,792	\$ 6,668,650

**ST. JOSEPH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 Combining Statement of Cash Flows
 For the year ended December 31, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 224,561	\$ 380,381	\$ 604,942
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expenses	23,153	106,330	129,483
(Increase) decrease in:			
Receivables	2,687	3,670	6,357
Due from other funds	(2,810)	317	(2,493)
Due from other governments	(4,711)	(3,639)	(8,350)
Prepaid expenses	(5,511)	360	(5,151)
Increase (decrease) in:			
Accounts payable	17,618	(31,099)	(13,481)
Payroll liabilities	120	11	131
Compensated absences	(79)	-	(79)
Total adjustments	30,467	75,950	106,417
Net cash provided by operating activities	\$ 255,028	\$ 456,331	\$ 711,359

**ST. JOSEPH CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Fiduciary Net Position
December 31, 2017**

	Agency Funds
Assets	
Cash	\$ <u>1,796,285</u>
TOTAL ASSETS	\$ <u><u>1,796,285</u></u>
Liabilities	
Accounts payable	\$ 29,144
Undistributed taxes, interest, licenses, and revenues	320
Due to other funds	1,400,413
Due to other governments	<u>366,408</u>
TOTAL LIABILITIES	\$ <u><u>1,796,285</u></u>

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by St. Joseph Charter Township ("Township"), Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. Based on the application of the criteria, the Township does not contain any component units. The following is a brief review of each potential component unit addressed in defining the Township's reporting entity.

Joint Ventures:

Lake Michigan Shoreline Water & Sewage Treatment Authority and Southwest Michigan Regional Sanitary Sewer and Water Authority. These potential component units are disclosed as joint ventures because the Township; (1) selects governing authority, (2) approves the budget, (3) is responsible for fund deficits, and (4) provides subsidies. See Note 3 for further information on the joint ventures.

Jointly Governed Organizations:

Community Emergency Services, Inc., operating as Medic 1 Ambulance (nonprofit). This potential component unit is disclosed as a jointly governed organization because it is jointly governed by various municipal governments, including St. Joseph Charter Township, but the Township does not have an ongoing financial interest or ongoing financial responsibility. The Township is entitled to the rights and privileges of one voting board member. Medic 1 is organized for the purpose of providing emergency ambulance service to surrounding communities. The Township's portion of the community operating subsidies for the year ended December 31, 2017 was \$57,661.

The Southwest Michigan Regional Airport Authority. This potential component unit is disclosed as a jointly governed organization because it is jointly governed by various municipal governments, including St. Joseph Charter Township, but the Township does not have an ongoing financial interest or ongoing financial responsibility. The Township is entitled to the rights and privileges of one voting board member. The Authority was formed to operate, maintain, and improve the Southwest Michigan Regional Airport. The Authority levies a .0999 millage collected by the Township from its citizens.

Government-Wide and Fund Financial Statements

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

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-Wide and Fund Financial Statements - Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

The Township reports three categories of net position, as follows:

Net Investment in Capital Assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources to those assets.

Restricted Net Position - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted Net Position - consists of remaining net position that does not meet the definition of the above two components and is available for general use by the Township.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable Fund Balance - The nonspendable fund balance category represents amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance - The restricted fund balance category represents amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed Fund Balance - The committed fund balance category represents amounts constrained to specific purposes by the Township Board; to be reported as committed, amounts cannot be used for any other purpose unless the Township Board takes action to remove or change the constraint.

Assigned Fund Balance - The assigned fund balance category represents amounts the Township Board intends to use for a specific purpose; intent can be expressed by the Township Board or by an official or committee to which the Township Board delegates the authority.

Unassigned Fund Balance - The unassigned fund balance category represents amounts that are available for any purpose; these amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first. When committed, assigned, or unassigned resources are available for use, it is the Township's policy to use the committed resources first, followed by assigned and unassigned resources.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

St. Joseph Charter Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Public Safety Fund** is used to account for the police department, as well as the two fire stations and ambulance services.

The **Garbage and Rubbish Collection Fund** is used to account for the collection of garbage and rubbish within the Township.

St. Joseph Charter Township reports the following major proprietary funds:

The **Water Operating Fund** accounts for the activities related to the Township's share of the Southwest Michigan Regional Sanitary Sewer and Water Authority's water production, purification, distribution, and billing.

The **Sewer Operating Fund** accounts for the activities related to the Township's share of the Southwest Michigan Regional Sanitary Sewer and Water Authority's sanitary collections system and wastewater treatment.

Additionally, St. Joseph Charter Township reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statements - Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

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. 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.

Budgetary Data

At an October meeting the Manager submits to the Township Board a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the Township Hall to obtain taxpayer comments. Prior to December 15, the budget is legally enacted on a summary budget basis through a general appropriations act.

Capital Assets

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

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net position. The straight-line depreciation method is applied over the estimated useful life of all depreciable capital assets.

The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Liabilities

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

In the fund financial statements, the repayment of principal of long-term debt is recorded as a debt service expenditure. The face amount of debt issued is reported as other financing sources.

Property Taxes

Township property taxes are levied on December 1 and are payable without penalty through February 14. The Township bills and collects its own property taxes as well as taxes for the County and several school districts within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Township property tax revenues are recognized in the fund financial statements as revenues in the calendar year following the levy date.

Sanitation and Water Billings

The Township has a contract with the City of St. Joseph for Sanitation Supply System and Water Supply System billings. The City collects the Township's portion of billings and remits those to the Township according to the contract.

Cash and Investments

Investments are stated at cost or amortized cost, which approximates market value. All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. Currently, the Township has no investments or cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or balance sheet 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. Deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE B - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loans associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated four financial institutions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments with the state statutory authority as listed above.

The Township's deposits and investments are subject to one type of risk, as listed below:

Custodial Credit Risk of Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The Township's investment policy does not specifically address custodial credit risk for deposits. As of December 31, 2017, \$12,762,122 of the government's \$14,067,636 with a corresponding bank balance of \$13,262,122 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 2,155,375
Uninsured and Collateralized	<u>10,606,747</u>
Total Exposed to Custodial Credit Risk	<u>\$ 12,762,122</u>

NOTE C - JOINT VENTURES

Lake Michigan Shoreline Water & Sewage Treatment Authority

On July 18, 1964, the Townships of St. Joseph and Lincoln, and Villages of Shoreham and Stevensville formed a joint venture to acquire, improve, extend and operate a water supply and sewage disposal system. In January 2000, Royalton Township joined the Authority.

The governing body consists of eight members. Each township selects two members and each village selects one member. From these eight members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

As of July 1, 2007, the Township discontinued contributions to Lake Michigan Shoreline Water & Sewage Treatment Authority.

As of December 31, 2017, the Township paid the Authority \$129,096 for debt retirement.

A copy of the audited financial report was made available for review at the Township office on November 15, 2017.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE C - JOINT VENTURES - Continued

Lake Michigan Shoreline Water & Sewage Treatment Authority - Continued

The Authority was dissolved as of June 30, 2017; all assets and liabilities balances were zero. All assets were transferred to Southwest Michigan Regional Sanitary Sewer and Water Authority.

The following is audited financial information from the Lake Michigan Shoreline Water & Sewage Treatment Authority for the year ended June 30, 2017. A copy of the audited financial report is available for review at the Township office.

Assets	\$	-
Liabilities		-
Net Position		-
Revenues		225,746
Expenditures		748,536
Change in Net Position		(522,790)

Southwest Michigan Regional Sanitary Sewer & Water Authority

Beginning July 19, 2007, the Township began contributing to the Southwest Michigan Regional Sanitary Sewer & Water Authority.

The governing body consists of nine members, with each township selecting three members. From these nine members a Chairman, Vice-Chairman, Secretary and Treasurer are selected.

An annual budget is submitted to and approved by the Authority. Once this has been completed, the budget is reviewed by each respective municipality for approval.

The member contribution percentages for the year ended December 31, 2017, are as follows: St. Joseph Charter Township - 35.18%, Lincoln Charter Township - 52.53%, and Royalton Township - 12.29%.

For the year ended December 31, 2017, the Township contributed \$188,544 to the Authority's operations and \$112,029 for debt retirement.

A copy of the audited financial report was made available for review at the Township office on December 7, 2017.

The following is audited financial information from the Southwest Michigan Regional Sanitary Sewer & Water Authority for the year ended June 30, 2017.

Assets	\$	13,783,233
Liabilities		12,466,910
Net Position		1,316,323
Revenues		1,698,304
Expenditures		1,310,932
Change in Net Position		387,372

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE D - CAPITAL ASSETS

Capital assets activities for the year ended December 31, 2017 were as follows:

	<u>Balance</u> <u>January 1,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Governmental Activities					
Nondepreciable Capital Assets					
Land	\$ 551,174	\$ -	\$ -	\$ -	\$ 551,174
Total Nondepreciable Capital Assets	<u>551,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>551,174</u>
Depreciable Capital Assets					
Buildings	2,210,434	-	-	-	2,210,434
Building improvements	88,209	26,592	-	-	114,801
Land improvements	634,920	-	-	-	634,920
Vehicles	1,270,706	87,395	(95,828)	-	1,262,273
Furniture and equipment	583,395	91,026	(13,913)	-	660,508
Total Depreciable Capital Assets	<u>4,787,664</u>	<u>205,013</u>	<u>(109,741)</u>	<u>-</u>	<u>4,882,936</u>
Less Accumulated Depreciation for:					
Buildings	(1,018,746)	(62,465)	-	-	(1,081,211)
Building improvements	(49,515)	(3,959)	-	-	(53,474)
Land improvements	(487,989)	(19,129)	-	-	(507,118)
Vehicles	(748,845)	(91,204)	60,833	-	(779,216)
Furniture and equipment	(419,913)	(52,635)	12,959	-	(459,589)
Total Accumulated Depreciation	<u>(2,725,008)</u>	<u>(229,392)</u>	<u>73,792</u>	<u>-</u>	<u>(2,880,608)</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>2,062,656</u>	<u>(24,379)</u>	<u>(35,949)</u>	<u>-</u>	<u>2,002,328</u>
Governmental Activities Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,613,830</u>	<u>\$ (24,379)</u>	<u>\$ (35,949)</u>	<u>\$ -</u>	<u>\$ 2,553,502</u>

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE D - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>January 1,</u> <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>
Business-Type Activities					
Depreciable Capital Assets					
Buildings	\$ 33,928	\$ -	\$ -	\$ -	\$ 33,928
Furniture and equipment	303,726	39,702	-	-	343,428
Vehicles	100,780	-	-	-	100,780
Sewer system	7,305,615	-	-	-	7,305,615
Water system	<u>7,311,400</u>	<u>228,964</u>	<u>-</u>	<u>-</u>	<u>7,540,364</u>
 Total Depreciable Capital Assets	 <u>15,055,449</u>	 <u>268,666</u>	 <u>-</u>	 <u>-</u>	 <u>15,324,115</u>
Less Accumulated Depreciation for:					
Buildings	(33,632)	(96)	-	-	(33,728)
Furniture and equipment	(168,848)	(14,815)	-	-	(183,663)
Vehicles	(82,102)	(3,202)	-	-	(85,304)
Sewer system	(7,148,137)	(5,040)	-	-	(7,153,177)
Water system	<u>(4,572,585)</u>	<u>(106,330)</u>	<u>-</u>	<u>-</u>	<u>(4,678,915)</u>
 Total Accumulated Depreciation	 <u>(12,005,304)</u>	 <u>(129,483)</u>	 <u>-</u>	 <u>-</u>	 <u>(12,134,787)</u>
 Business-Type Activities Total Capital Assets, Net of Accumulated Depreciation	 <u>\$ 3,050,145</u>	 <u>\$ 139,183</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,189,328</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental functions:	
General government	\$ 58,247
Public safety	125,088
Public works	6,693
Recreation and culture	<u>39,364</u>
 Total	 <u>\$ 229,392</u>
 Business-type functions:	
Sewer	\$ 23,153
Water	<u>106,330</u>
 Total	 <u>\$ 129,483</u>

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE E - CHANGES IN LONG-TERM DEBT

Long-term debt at December 31, 2017 is comprised of the following individual issues:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
\$995,000 2009 installment note, without collateral, through Horizon Bank, for Fire Station #2; interest only payments at 3.75% through January 10, 2010, monthly principal and interest payments of \$10,017 beginning February 10, 2010 through March 10, 2015. Monthly principal and interest payments of \$9,447 including interest at 2.56% beginning April 10, 2015 with the final payment due February 10, 2020.	\$ 343,847	\$ -	\$ (105,776)	\$ 238,071	\$ 108,540
Compensated Absences - General Fund, Public Safety, Building Department	<u>76,644</u>	<u>-</u>	<u>(4,108)</u>	<u>72,536</u>	<u>44,043</u>
Total Governmental Activities	<u>420,491</u>	<u>-</u>	<u>(109,884)</u>	<u>310,607</u>	<u>152,583</u>
Business-Type Activities					
Compensated Absences - Sewer Fund	<u>1,150</u>	<u>-</u>	<u>(79)</u>	<u>1,071</u>	<u>1,071</u>
Total Business-Type Activities	<u>1,150</u>	<u>-</u>	<u>(79)</u>	<u>1,071</u>	<u>1,071</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 421,641</u>	<u>\$ -</u>	<u>\$ (109,963)</u>	<u>\$ 311,678</u>	<u>\$ 153,654</u>

The compensated absences liability attributable to the governmental activities will be liquidated by the fund in which it originates. At December 31, 2017, approximately 91% originated from the Public Safety Fund and 9% from the General Fund.

The annual requirement to amortize all applicable debt outstanding as of December 31, 2017, including interest payments of \$6,901, are as follows:

<u>Year Ending December 31,</u>	<u>Debt</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 108,540	\$ 4,827	\$ 113,367
2019	111,351	2,016	113,367
2020	<u>18,180</u>	<u>58</u>	<u>18,238</u>
	<u>\$ 238,071</u>	<u>\$ 6,901</u>	<u>\$ 244,972</u>

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE F - PENSION PLAN

The Township contributes to the St. Joseph Charter Township defined contribution pension plan, which is administered by John Hancock Insurance Company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined. The benefits a participant will receive depend solely on the amount contributed to the participant's accounts, the return on those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All full-time employees of the Township are eligible to participate in the defined contribution plan. Contributions made by the Township vest immediately. An employee who leaves the employment of the Township is entitled to the Township's contributions and may withdraw the funds, roll them to another personal investment account, or leave them with John Hancock until a later date. The Township is required to contribute an amount equal to 14% of the employee's base pay.

During the year, the Township made its required contribution of \$188,190 which was 14% of its current year covered payroll of \$1,344,217.

No pension provision changes occurred during the year that affected the required contributions by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of December 31, 2017.

NOTE G - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2017, is as follows:

		Due From			
		General	Current	General	
		Fund	Tax Fund	Agency	Total
Due To					
	General Fund	\$ -	\$ 159,780	\$ 506	\$ 160,286
	Public Safety Fund	1,315	820,831	-	822,146
	Garbage and Rubbish Collection Fund	-	280,648	-	280,648
	Fire Improvement Fund	-	46,597	-	46,597
	SJCT Improvement Fund	7	-	-	7
	Building Department Fund	35	-	-	35
	Library Fund	-	84,111	-	84,111
	Sewer Fund	220	7,462	-	7,682
	Water Fund	20	478	-	498
	Total	<u>\$ 1,597</u>	<u>\$ 1,399,907</u>	<u>\$ 506</u>	<u>\$ 1,402,010</u>

The outstanding balances between funds result mainly from winter tax collections undistributed by the tax fund at year end. The Public Safety Fund, SJCT Improvement Fund, Building Department Fund, and Water Fund owe the General Fund for payroll expenditures.

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE G - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

During the year, the following transfers were made between funds:

			<u>Transfer From</u> <u>Public Safety Fund</u>
Transfer To	Fire Improvement Fund	\$	13,550
	Total	<u>\$</u>	<u>13,550</u>

The transfer from the Public Safety Fund to the Fire Improvement Fund is to make up the difference in the bond payment that was not covered by the bond millage.

NOTE H - DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the Township no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the Township. Therefore, the Township is not required to account for the deferred compensation plan.

NOTE I - DEPOSIT - BERRIEN COUNTY ROAD COMMISSION

On an annual basis, St. Joseph Charter Township places on deposit with the Berrien County Road Commission money for local road construction work. The County matches certain funds 100%.

NOTE J - RISK MANAGEMENT

The Township carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE K - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township adopts budgets at the department level for the General Fund and all major Special Revenue Funds.

During the year ended December 31, 2017, the Township incurred expenses in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>(Over) Budget</u>
General Fund			
General Government:			
Elections	\$ 16,770	\$ 18,541	\$ (1,771)
Garbage and Rubbish Collection Fund			
Sanitation	694,685	703,628	(8,943)

ST. JOSEPH CHARTER TOWNSHIP
Notes to Basic Financial Statements
December 31, 2017

NOTE L - CONTINGENCIES

In April of 2010, the Southwest Michigan Regional Sanitary Sewer & Water Authority sold \$9,000,000 in bonds. The current balance of the bonds outstanding is \$7,610,000. The Township has guaranteed 30.92% of the principal and interest payments over the 30 year life of the bonds. Lincoln Charter Township and Royalton Township have guaranteed the remaining 56.41% and 12.67%, respectively.

In April of 2016, the Southwest Michigan Regional Sanitary Sewer & Water Authority sold \$4,190,000 in bonds. The current balance of the bonds outstanding is \$4,130,000. The Township has guaranteed 30.92% of the principal and interest payments over the 16 year life of the bonds. Lincoln Charter Township and Royalton Township have guaranteed the remaining 56.41% and 12.67% respectively.

Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against the Township. In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

NOTE M - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosures of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 22, 2018 which is the date the financials statements were available to be issued.

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Police Training Fund - This fund is used to account for revenues collected and monies expended for the purpose of police officer training as provided by the State and Federal Government.

Police Drug Forfeiture Fund - This fund is used to account for revenues collected and monies expended under specific forfeiture laws.

Liquor Law Enforcement Fund - This fund is used to record the Township's share of liquor licenses and the expenditures related to the time spent by police officers in liquor law enforcement.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Library Fund - This fund is used to account for property taxes received to be used for library services for Township residents.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

St. Joseph Charter Township Improvement Fund - This fund is used to account for the acquisition of tax sale properties and the subsequent maintenance and repairs or sale of these properties.

Sewer Replacement and Improvement Fund - This fund is used to account for the capital improvements and future replacement of the sewer lines.

Water Replacement and Improvement Fund - This fund is used to account for the capital improvements and future replacement of the water lines.

Fire Improvement Fund - This fund is used to account for the capital improvements to the fire departments.

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 429,850	\$ 429,850	\$ 445,109	\$ 15,259
Licenses and permits	114,500	114,500	132,902	18,402
State grants:				
Operating grants	728,000	728,000	813,420	85,420
Charges for services	5,700	5,700	9,570	3,870
Fines and forfeitures	-	-	50	50
Interest and rents:				
Interest	2,500	2,500	7,998	5,498
Other revenue	12,100	12,100	50,341	38,241
	<u>1,292,650</u>	<u>1,292,650</u>	<u>1,459,390</u>	<u>166,740</u>
Total Revenues				
Expenditures:				
Current:				
General government:				
Township board	26,915	26,915	26,014	901
Supervisor	20,155	20,155	18,696	1,459
Administration	276,180	276,180	249,617	26,563
Clerk	56,445	56,445	49,384	7,061
Township services	235,730	235,730	213,845	21,885
Treasurer	97,845	97,845	91,987	5,858
Assessor	153,645	153,645	133,150	20,495
Elections	16,770	16,770	18,541	(1,771)
Buildings and grounds	151,415	131,415	102,163	29,252
Public safety:				
Ordinance enforcement	29,710	29,710	28,631	1,079
Community and economic development:				
Planning	7,825	7,825	7,124	701
Recreation and culture:				
Parks and recreation	277,005	297,005	292,891	4,114
	<u>1,349,640</u>	<u>1,349,640</u>	<u>1,232,043</u>	<u>117,597</u>
Total Expenditures				
Net Change in Fund Balances	(56,990)	(56,990)	227,347	284,337
Fund Balances - Beginning of Year	<u>2,338,619</u>	<u>2,338,619</u>	<u>2,338,619</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 2,281,629</u></u>	<u><u>\$ 2,281,629</u></u>	<u><u>\$ 2,565,966</u></u>	<u><u>\$ 284,337</u></u>

**ST. JOSEPH CHARTER TOWNSHIP
PUBLIC SAFETY FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,783,000	\$ 1,783,000	\$ 1,800,869	\$ 17,869
Charges for services	1,400	1,400	2,358	958
Fines and forfeitures	5,000	5,000	7,133	2,133
Interest and rents:				
Interest	3,000	3,000	5,647	2,647
Other revenue	<u>22,000</u>	<u>26,500</u>	<u>55,131</u>	<u>28,631</u>
 Total Revenues	 <u>1,814,400</u>	 <u>1,818,900</u>	 <u>1,871,138</u>	 <u>52,238</u>
Expenditures:				
Current:				
Public safety:				
Police department	1,662,120	1,662,120	1,554,330	107,790
Police vehicles	68,400	68,400	67,787	613
Fire Station #1	129,460	129,460	112,576	16,884
Fire Station #2	110,625	110,625	101,941	8,684
Health and welfare:				
Ambulance	<u>57,675</u>	<u>57,675</u>	<u>57,661</u>	<u>14</u>
 Total Expenditures	 <u>2,028,280</u>	 <u>2,028,280</u>	 <u>1,894,295</u>	 <u>133,985</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 (213,880)	 (209,380)	 (23,157)	 186,223
Other Financing Uses:				
Transfers out	<u>(13,550)</u>	<u>(13,550)</u>	<u>(13,550)</u>	<u>-</u>
 Net Change in Fund Balances	 (227,430)	 (222,930)	 (36,707)	 186,223
Fund Balances - Beginning of Year	<u>1,388,394</u>	<u>1,388,394</u>	<u>1,388,394</u>	<u>-</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 1,160,964</u>	 <u>\$ 1,165,464</u>	 <u>\$ 1,351,687</u>	 <u>\$ 186,223</u>

**ST. JOSEPH CHARTER TOWNSHIP
GARBAGE AND RUBBISH COLLECTION FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 608,700	\$ 608,700	\$ 622,849	\$ 14,149
Interest and rents:				
Interest	<u>750</u>	<u>750</u>	<u>1,461</u>	<u>711</u>
Total Revenues	<u>609,450</u>	<u>609,450</u>	<u>624,310</u>	<u>14,860</u>
Expenditures:				
Current:				
Public works:				
Sanitation	<u>694,685</u>	<u>694,685</u>	<u>703,628</u>	<u>(8,943)</u>
Total Expenditures	<u>694,685</u>	<u>694,685</u>	<u>703,628</u>	<u>(8,943)</u>
Net Change in Fund Balances	(85,235)	(85,235)	(79,318)	5,917
Fund Balances - Beginning of Year	<u>203,612</u>	<u>203,612</u>	<u>203,612</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 118,377</u>	<u>\$ 118,377</u>	<u>\$ 124,294</u>	<u>\$ 5,917</u>

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2017**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash	\$ 250,923	\$ 1,182,588	\$ 1,433,511
Taxes receivable	81,695	45,258	126,953
Due from other funds	84,146	46,604	130,750
Prepaid expense	1,498	-	1,498
TOTAL ASSETS	\$ 418,262	\$ 1,274,450	\$ 1,692,712
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities			
Accounts payable	\$ 1,866	\$ -	\$ 1,866
Payroll liabilities	1,232	-	1,232
Total Liabilities	3,098	-	3,098
Deferred Inflows			
Taxes levied for a subsequent period	186,544	103,344	289,888
Fund Balances			
Nonspendable	1,498	-	1,498
Restricted	227,122	76,542	303,664
Assigned	-	1,094,564	1,094,564
Total Fund Balances	228,620	1,171,106	1,399,726
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 418,262	\$ 1,274,450	\$ 1,692,712

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the year ended December 31, 2017**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 186,792	\$ 102,251	\$ 289,043
Licenses and permits	255,720	-	255,720
State grants:			
Operating grants	1,984	-	1,984
Charges for services	-	15,500	15,500
Interest and rents:			
Rent	-	31,129	31,129
Interest	890	3,531	4,421
Other revenue	3,088	36,000	39,088
	<u>448,474</u>	<u>188,411</u>	<u>636,885</u>
Total Revenues			
Expenditures:			
Current:			
General government	-	33,559	33,559
Public safety	170,370	71	170,441
Recreation and culture	185,631	-	185,631
Debt retirement:			
Principal	-	105,776	105,776
Interest	-	7,591	7,591
	<u>356,001</u>	<u>146,997</u>	<u>502,998</u>
Total Expenditures			
Excess of Revenues Over Expenditures	92,473	41,414	133,887
Other Financing Sources (Uses):			
Transfers in	-	13,550	13,550
	<u>92,473</u>	<u>54,964</u>	<u>147,437</u>
Net Change in Fund Balances			
Fund Balances - Beginning of Year	<u>136,147</u>	<u>1,116,142</u>	<u>1,252,289</u>
FUND BALANCES - END OF YEAR	<u>\$ 228,620</u>	<u>\$ 1,171,106</u>	<u>\$ 1,399,726</u>

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Revenues, Compared to Budget
For the year ended December 31, 2017
With Comparative Totals for the year ended December 31, 2016**

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues:				
Taxes	\$ 429,850	\$ 445,109	\$ 15,259	\$ 440,642
Licenses and permits	114,500	132,902	18,402	131,179
State grants:				
Operating grants	728,000	813,420	85,420	752,658
Charges for services	5,700	9,570	3,870	8,775
Fines and forfeitures	-	50	50	80
Interest	2,500	7,998	5,498	7,349
Other	12,100	50,341	38,241	49,703
	<u>12,100</u>	<u>50,341</u>	<u>38,241</u>	<u>49,703</u>
TOTAL REVENUES	<u><u>\$ 1,292,650</u></u>	<u><u>\$ 1,459,390</u></u>	<u><u>\$ 166,740</u></u>	<u><u>\$ 1,390,386</u></u>

ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the year ended December 31, 2017
With Comparative Totals for the year ended December 31, 2016

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
General Government				
Legislative				
Township Board				
Personal services		\$ 22,400		\$ 21,381
Supplies		22		116
Other services and charges		<u>3,592</u>		<u>1,872</u>
Total Legislative	<u>\$ 26,915</u>	<u>26,014</u>	<u>\$ 901</u>	<u>23,369</u>
Chief Executive				
Supervisor				
Personal services		18,656		18,303
Other services and charges		<u>40</u>		<u>-</u>
Total Supervisor	20,155	<u>18,696</u>	1,459	<u>18,303</u>
Administration				
Personal services		216,838		165,053
Supplies		13,758		24,026
Other services and charges		<u>19,021</u>		<u>25,868</u>
Total Administration	<u>276,180</u>	<u>249,617</u>	<u>26,563</u>	<u>214,947</u>
Total Chief Executive	<u>296,335</u>	<u>268,313</u>	<u>28,022</u>	<u>233,250</u>
Financial and Tax Administration				
Clerk				
Personal services		42,867		81,622
Supplies		1,526		2,280
Other services and charges		<u>4,991</u>		<u>3,890</u>
Total Clerk	56,445	<u>49,384</u>	7,061	<u>87,792</u>
General Services				
Other services and charges		168,181		159,869
Capital outlay		<u>45,664</u>		<u>-</u>
Total General Services	235,730	<u>213,845</u>	21,885	<u>159,869</u>

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the year ended December 31, 2017
With Comparative Totals for the year ended December 31, 2016**

	2017			2016
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Treasurer				
Personal services		\$ 77,218		\$ 98,177
Supplies		5,949		6,991
Other services and charges		<u>8,820</u>		<u>9,853</u>
Total Treasurer	\$ 97,845	<u>91,987</u>	\$ 5,858	<u>115,021</u>
Assessor and Board of Review				
Personal services		117,424		113,465
Supplies		7,916		5,500
Other services and charges		<u>7,810</u>		<u>16,104</u>
Total Assessor and Board of Review	<u>153,645</u>	<u>133,150</u>	<u>20,495</u>	<u>135,069</u>
Total Financial and Tax Administration	<u>543,665</u>	<u>488,366</u>	<u>55,299</u>	<u>497,751</u>
Other General Government				
Elections				
Personal services		3,391		34,795
Supplies		13,144		11,769
Other services and charges		<u>2,006</u>		<u>10,147</u>
Total Elections	16,770	<u>18,541</u>	(1,771)	<u>56,711</u>
Building and Grounds				
Personal services		21,984		27,492
Supplies		9,991		5,509
Other services and charges		70,188		107,059
Capital outlay		<u>-</u>		<u>6,119</u>
Total Building and Grounds	<u>131,415</u>	<u>102,163</u>	<u>29,252</u>	<u>146,179</u>
Total Other General Government	<u>148,185</u>	<u>120,704</u>	<u>27,481</u>	<u>202,890</u>
Total General Government	<u>1,015,100</u>	<u>903,397</u>	<u>111,703</u>	<u>957,260</u>

**ST. JOSEPH CHARTER TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the year ended December 31, 2017
With Comparative Totals for the year ended December 31, 2016**

	<u>2017</u>			<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Public Safety				
Ordinance Enforcement				
Personal services		\$ 25,897		\$ 27,676
Supplies		1,266		588
Other services and charges		<u>1,468</u>		<u>726</u>
Total Public Safety	<u>\$ 29,710</u>	<u>28,631</u>	<u>\$ 1,079</u>	<u>28,990</u>
Community and Economic Development				
Planning				
Personal services		3,895		3,014
Supplies		13		110
Other services and charges		<u>3,216</u>		<u>2,428</u>
Total Community and Economic Development	<u>7,825</u>	<u>7,124</u>	<u>701</u>	<u>5,552</u>
Recreation and Culture				
Parks and Recreation				
Personal services		122,663		121,584
Supplies		55,026		21,963
Other services and charges		70,552		61,265
Capital outlay		<u>44,650</u>		<u>33,267</u>
Total Recreation and Culture	<u>297,005</u>	<u>292,891</u>	<u>4,114</u>	<u>238,079</u>
TOTAL EXPENDITURES	<u><u>\$ 1,349,640</u></u>	<u><u>\$ 1,232,043</u></u>	<u><u>\$ 117,597</u></u>	<u><u>\$ 1,229,881</u></u>

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
December 31, 2017**

	Building Department Fund	Police Training Fund	Police Drug Forfeiture Fund	Library Fund	Total
Assets					
Cash	\$ 162,680	\$ 7,522	\$ 4,332	\$ 76,389	\$ 250,923
Taxes receivable	-	-	-	81,695	81,695
Due from other funds	35	-	-	84,111	84,146
Prepaid expense	1,498	-	-	-	1,498
	<u>164,213</u>	<u>7,522</u>	<u>4,332</u>	<u>242,195</u>	<u>418,262</u>
TOTAL ASSETS	<u>\$ 164,213</u>	<u>\$ 7,522</u>	<u>\$ 4,332</u>	<u>\$ 242,195</u>	<u>\$ 418,262</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Accounts payable	\$ 1,866	\$ -	\$ -	\$ -	\$ 1,866
Payroll liabilities	1,232	-	-	-	1,232
	<u>3,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,098</u>
Total Liabilities	<u>3,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,098</u>
Deferred Inflows					
Taxes levied for a subsequent period	-	-	-	186,544	186,544
	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,544</u>	<u>186,544</u>
Fund Balances					
Nonspendable	1,498	-	-	-	1,498
Restricted	159,617	7,522	4,332	55,651	227,122
	<u>161,115</u>	<u>7,522</u>	<u>4,332</u>	<u>55,651</u>	<u>228,620</u>
Total Fund Balances	<u>161,115</u>	<u>7,522</u>	<u>4,332</u>	<u>55,651</u>	<u>228,620</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 164,213</u>	<u>\$ 7,522</u>	<u>\$ 4,332</u>	<u>\$ 242,195</u>	<u>\$ 418,262</u>

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the year ended December 31, 2017**

	Building Department Fund	Police Training Fund	Police Drug Forfeiture Fund	Library Fund	Total
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 186,792	\$ 186,792
Licenses and permits	255,720	-	-	-	255,720
State grants:					
Operating grants	-	1,984	-	-	1,984
Interest and rents:					
Interest	438	18	16	418	890
Other revenue	3,088	-	-	-	3,088
	<u>259,246</u>	<u>2,002</u>	<u>16</u>	<u>187,210</u>	<u>448,474</u>
Total Revenues					
Expenditures:					
Current:					
Public safety:					
Police	-	125	2,799	-	2,924
Building inspection	167,446	-	-	-	167,446
Recreation and culture:					
Library	-	-	-	185,631	185,631
	<u>167,446</u>	<u>125</u>	<u>2,799</u>	<u>185,631</u>	<u>356,001</u>
Total Expenditures					
Net Change in Fund Balances	91,800	1,877	(2,783)	1,579	92,473
Fund Balances, Beginning of Year	<u>69,315</u>	<u>5,645</u>	<u>7,115</u>	<u>54,072</u>	<u>136,147</u>
FUND BALANCES, END OF YEAR	<u>\$ 161,115</u>	<u>\$ 7,522</u>	<u>\$ 4,332</u>	<u>\$ 55,651</u>	<u>\$ 228,620</u>

**ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
December 31, 2017**

	Sewer Replacement and Improvement Fund	Water Replacement and Improvement Fund	Fire Improvement Fund	St. Joseph Charter Township Improvement Fund	Total
Assets					
Cash	\$ 319,072	\$ 421,690	\$ 88,031	\$ 353,795	\$ 1,182,588
Taxes receivable	-	-	45,258	-	45,258
Due from other funds	-	-	46,597	7	46,604
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 319,072</u>	<u>\$ 421,690</u>	<u>\$ 179,886</u>	<u>\$ 353,802</u>	<u>\$ 1,274,450</u>
Deferred Inflows and Fund Balances					
Liabilities					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows					
Taxes levied for a subsequent period	<u>-</u>	<u>-</u>	<u>103,344</u>	<u>-</u>	<u>103,344</u>
Fund Balances					
Restricted	-	-	76,542	-	76,542
Assigned	<u>319,072</u>	<u>421,690</u>	<u>-</u>	<u>353,802</u>	<u>1,094,564</u>
Total Fund Balances	<u>319,072</u>	<u>421,690</u>	<u>76,542</u>	<u>353,802</u>	<u>1,171,106</u>
TOTAL DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 319,072</u>	<u>\$ 421,690</u>	<u>\$ 179,886</u>	<u>\$ 353,802</u>	<u>\$ 1,274,450</u>

ST. JOSEPH CHARTER TOWNSHIP
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the year ended December 31, 2017

	Sewer Replacement and Improvement Fund	Water Replacement and Improvement Fund	Fire Improvement Fund	St. Joseph Charter Township Improvement Fund	Total
Revenues:					
Taxes	\$ -	\$ -	\$ 102,251	\$ -	\$ 102,251
Charges for services	-	15,500	-	-	15,500
Interest and rents:					
Rent	-	-	-	31,129	31,129
Interest	937	1,219	331	1,044	3,531
Other revenue	-	-	-	36,000	36,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	937	16,719	102,582	68,173	188,411
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:					
Current:					
General government:					
Building and grounds	-	-	-	33,559	33,559
Public safety:					
Fire	-	-	71	-	71
Debt retirement:					
Principal	-	-	105,776	-	105,776
Interest	-	-	7,591	-	7,591
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	113,438	33,559	146,997
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	937	16,719	(10,856)	34,614	41,414
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):					
Transfers in	-	-	13,550	-	13,550
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	937	16,719	2,694	34,614	54,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, Beginning of Year	318,135	404,971	73,848	319,188	1,116,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 319,072</u>	<u>\$ 421,690</u>	<u>\$ 76,542</u>	<u>\$ 353,802</u>	<u>\$ 1,171,106</u>

**ST. JOSEPH CHARTER TOWNSHIP
 PROPRIETARY FUNDS
 Statement of Expenses
 For the year ended December 31, 2017**

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating Expenses:		
Salaries and wages	\$ 141,151	\$ 12,370
Payroll taxes and benefits	82,884	6,295
Contractual services	80,233	442
Contributions	193,454	236,215
Operating supplies	9,969	1,586
Gas and oil	4,108	-
Utilities	33,418	-
Insurance	13,202	-
Education and travel	1,285	739
Sewer treatment - St. Joseph	400,780	-
Sewer treatment - Benton Harbor	116,921	-
Fire hydrant repairs	-	5,056
Repairs and maintenance	30,361	-
Miscellaneous	<u>1,205</u>	<u>38,459</u>
 Total Operating Expenses	 <u>\$ 1,108,971</u>	 <u>\$ 301,162</u>

**ST. JOSEPH CHARTER TOWNSHIP
FIDUCIARY FUNDS
Statement of Fiduciary Net Position
December 31, 2017**

TOTAL ALL FIDUCIARY FUNDS	Current Tax Fund	General Agency Fund	Balance December 31, 2017
Assets			
Cash	\$ 1,770,435	\$ 25,850	\$ 1,796,285
TOTAL ASSETS	<u>\$ 1,770,435</u>	<u>\$ 25,850</u>	<u>\$ 1,796,285</u>
Liabilities			
Accounts payable	\$ 4,120	\$ 25,024	\$ 29,144
Undistributed taxes, interest, licenses, and revenues	-	320	320
Due to other funds	1,399,907	506	1,400,413
Due to other governments	<u>366,408</u>	<u>-</u>	<u>366,408</u>
TOTAL LIABILITIES	<u>\$ 1,770,435</u>	<u>\$ 25,850</u>	<u>\$ 1,796,285</u>

ST. JOSEPH CHARTER TOWNSHIP
Summary of Principal and Interest
Requirements to Maturity
2009 Installment Note
December 31, 2017

Year Ending				
<u>December 31,</u>	<u>Principal Due</u>	<u>Interest Due</u>		<u>Total</u>
2018	\$ 108,540	\$ 4,827	\$	113,367
2019	111,351	2,016		113,367
2020	<u>18,180</u>	<u>58</u>		<u>18,238</u>
	<u>\$ 238,071</u>	<u>\$ 6,901</u>	<u>\$</u>	<u>244,972</u>



March 22, 2018

Township Board
St. Joseph Charter Township
St. Joseph, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Joseph Charter Township as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered St. Joseph Charter Township'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Joseph Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Joseph Charter Township's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Sincerely,

Certified Public Accountants
St. Joseph, Michigan



March 22, 2018

Township Board
St. Joseph Charter Township
St. Joseph, Michigan

In connection with our audit of the books and records of St. Joseph Charter Township for the year ended December 31, 2017, we offer the following comments and recommendations:

1. During our audit we noted two checks (Nos. 31612 and 31619) written in year 2016 were still outstanding. We suggest those checks be voided and reissued.
2. During our audit we noted that the Deputy Treasurer controls many of the duties; this is significant with deposits because one person is entering and depositing all checks. To improve the internal controls, we suggest those responsibilities should be divided up to ensure proper checks and balances of the task.
3. During our audit we noted that a large manual payroll entry is being entered every payroll. We suggest using the BS&A software payroll system, which would reduce the risk of human error when entering that entry.

The books and records were found to be balanced and well organized and supporting documentation was readily available for inspection.

We appreciate the courtesy and cooperation extended to us by the officials and employees of St. Joseph Charter Township. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.

If we can be of any assistance or if you have any questions regarding these or any other matters, please feel free to contact us.

Sincerely,

Certified Public Accountants
St. Joseph, Michigan



March 22, 2018

Township Board
St. Joseph Charter Township
St. Joseph, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Joseph Charter Township for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2017. 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 St. Joseph Charter Township 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 the year ended December 31, 2017. We noted no transactions entered into by St. Joseph Charter Township 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. We did not note any estimates that we felt were particularly sensitive.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not note any disclosures that we felt were particularly sensitive.

The financial statement disclosures are neutral, consistent, and clear.

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 known and likely 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, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 auditor's 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 March 22, 2018.

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 St. Joseph Charter Township's 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 St. Joseph Charter Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis and budgetary comparison information for major funds, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on supplementary information, as noted in the table of contents to the financial statements, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

A handwritten signature in black ink that reads "Hungerford Nichols". The signature is written in a cursive, flowing style.

Certified Public Accountants
St. Joseph, Michigan