

Alpine Township Finance Primer



2022 Update

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ALPINE TOWNSHIP FINANCE PRIMER

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CHAPTER 1 INTRODUCTION TO ALPINE TWP. FUNDS

ALPINE TWP'S GOVERNMENTAL FUNDS

The Township has four governmental funds: General Fund, Fire Fund, Water Fund and Sewer Fund. Within each fund there ideally should be a Fund Balance, which are remaining monies that have accumulated over time after all revenues and expenses have been accounted for. Fund Balance monies are primarily used to pay for Capital Improvement Projects.

General Fund (101): This fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of Alpine Township. Revenues are derived primarily from state-shared revenues, property taxes, interest and charges for services.

Fire Fund (206): This Special Revenue Fund accounts for all financial resources to be used for all operational expenditures of the Alpine Township Fire Department. Revenues are derived from the Fire Millage approved in November 2020. The Annual Budget of the General Fund and Fund Balance of the General Fund will no longer be the funding sources for Fire Department capital improvements as the Fire Millage is an original source of funding. A portion of the revenue will be devoted to Fire Dept. capital improvements needs such fire truck replacement, turnout gear, SCBA equipment and building improvements for all three fire stations.

Water Fund (401): This fund is used to account for financial resources to be used for the acquisition or construction of major facilities and public improvements involving the water system within the Township. Alpine Township is a retail customer of Plainfield Charter Township's water system.

Sewer Fund (571): This fund is used to account for financial resources to be used for construction of major facilities and public improvements, operation and upkeep of the sanitary sewer system within the Township. Alpine Township is a member of the North Kent Sewer Authority made up of five communities working together to provide quality sewer service.

SPECIAL REVENUE FUNDS

There are six Special Revenue Funds of *externally restricted* monies the Township receives for a specific purpose. They are as follows:

Fund #206	Fire Millage Fund
Fund #230	York Creek Drainage District per acre fee
Fund #231	Meijer/Wendy's Service Drive SAD
Fund #232	Fire Department Donations
Fund #233	Historical Committee Donations
Fund #234	Farmland Preservation

CAPITAL PROJECT FUNDS

The Capital Project Funds (400 series) are not an original source of monies for public improvement projects, but holding places for project monies once committed or assigned from Fund Balance of the General Fund or Fund Balance of the Fire Fund. The Township Board has committed (i.e. *internally restricted*) monies for the capital projects in the Capital Project Funds. There are about a dozen or so Capital Project Funds for specific items or areas of need.

Mandated capital improvement projects are temporarily accounted for within the annual budget to ensure the necessary funds will be saved towards these projects. A mandated capital improvement project is one that is required by state or federal law or regulation. Before the end of the fiscal year on June 30th; these monies are moved out of the annual budget and into the respective Capital Project Funds by the Board committing them.

CHAPTER 2 GENERAL FUND (#101)

This fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures for nearly all of the basic public services of Alpine Township. Revenues are derived primarily from state-shared revenues, property taxes, interest and charges for services.

GENERAL FUND REVENUES

1. State Revenue Sharing

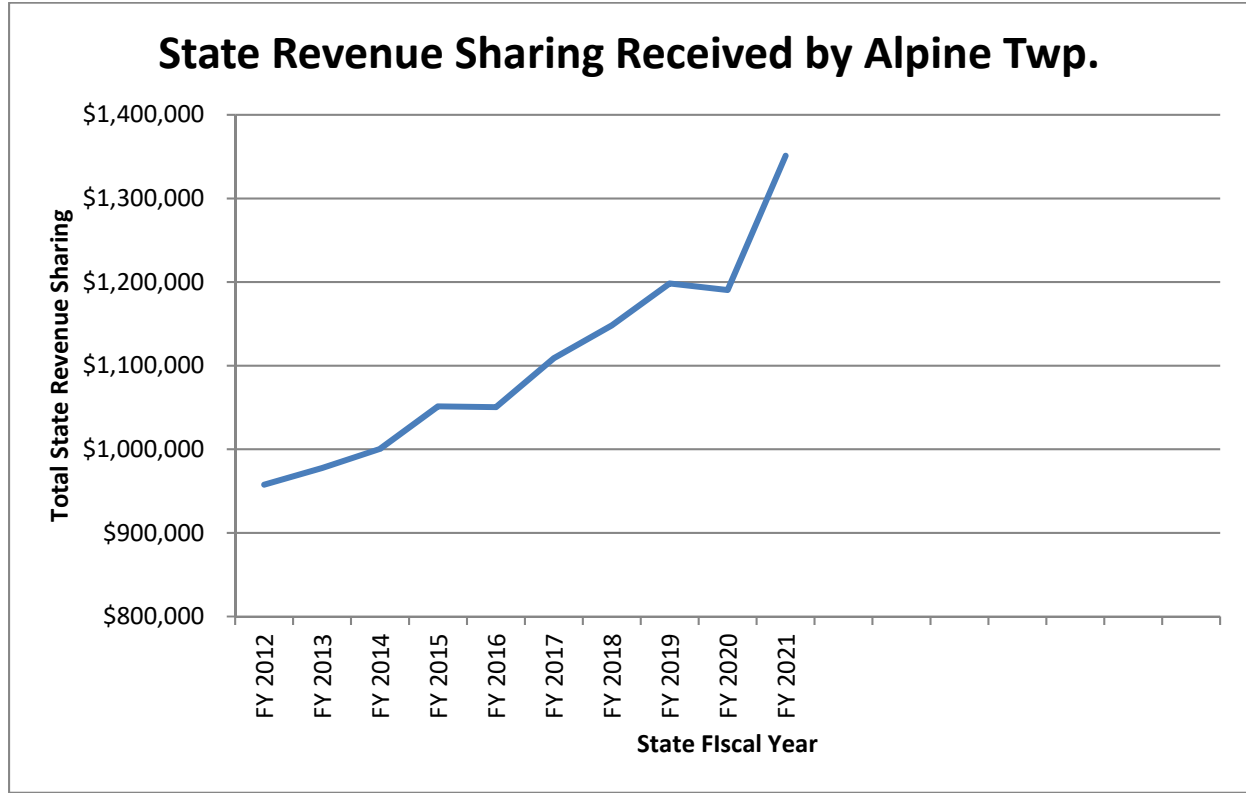
The State Revenue Sharing program distributes sales tax collected by the State of Michigan to local units of government, as authorized by the State Revenue Sharing Act (P.A. 140 of 1971, as amended). The two basic revenue components to State Shared Revenues have been Constitutional revenues and Statutory revenues (and its successors).

Constitutional revenue sharing is determined by the sales tax collections received by the state each year (15% of the first 4% of gross state sales tax collected). The Legislature/Governor has no oversight over this portion of revenue sharing because it is constitutionally protected. It is distributed on a per capita basis six times a year.

Statutory revenue sharing and its successors is also based on sales tax collections and was appropriated each year by the Legislature/Governor and was therefore subject to the wishes of the State Legislature. During good economic times, those amounts were capped and local units did not necessarily benefit from the economic gains. During poor economic times, the revenues were not only down due to fewer sales, but could also be reduced by the Legislature to be used for other State budget items. Due to difficult economic conditions, state shared revenues (and its successors) are a constant target for significant state budget cuts. Alpine Township has not received actual Statutory Revenue since the mid-2000s.

Beginning October 1, 2011 (State FY 2011-2012), Statutory revenue sharing was replaced with successive incentive-based revenue sharing programs available to select local governments that meet state standards and adopt best practices. The current program is called *The City, Village and Township Revenue Sharing (CVTRS)* program.

Figure 1



Fiscal Impact of the U.S. Census Population Figure: For purposes of state revenue sharing, the population of a municipality is determined by the most recent federal decennial census; therefore, population numbers are very important to every municipality. The Township's 2010 population was 13,336 persons; a decrease of 640 persons since 2000. This population loss negatively impacted the Township because Constitutional Revenue Sharing is distributed on a per capita basis (\$65 per person). Fewer people equal less revenue. Specifically, the loss of 640 persons became a loss of approximately \$41,600 in revenue annually beginning with the Township's FY 2010-2011 budget.

The Township's 2020 population was 14,079 persons; an increase of 743 persons from 2010. The 2020 figure made up for the previous decade's losses and reflects an increase of 103 persons over the Township's population in 2000. State revenue sharing has been adjusted upward to reflect the increase in people.

2. Tax Revenues

Taxes include property taxes, personal property taxes, Industrial Facility Tax (Act 198 of 1974, see Figure 4 for explanation), mobile home fees (Act 243 of 1959), and penalties and interest on delinquent property taxes.

Where Do My Tax Dollars Go?

The property tax rates are expressed in mills. A mill is 1/1000 of a dollar and generates \$1 per \$1,000 of taxable value. Property taxes are computed by multiplying the taxable value of the property by the number of mills levied. The figures below illustrate where taxes collected by Alpine Township are distributed. Although millage rates can change annually, the 2021 data below provides an excellent snapshot.

Figure 2

2021 Homestead Millage	
Taxing Body	Number of Mills
<i>Kent County</i>	4.1850
<i>Alpine Township</i>	4.8749
<i>Kent District Library</i>	1.2484
<i>Senior Millage</i>	0.4842
<i>Museum and Zoo</i>	0.4261
<i>Veterans</i>	0.0482
<i>Kent County Jail</i>	0.7645
<i>Grand Rapids Community College</i>	1.7307
<i>Kent Intermediate School District</i>	5.5157
<i>Early Childhood Education</i>	0.2441
<i>State Education Tax</i>	6.0000
<i>School Operating Tax</i>	NA
<i>Local School Debt (pick 1 of the 3):</i>	
<i>Comstock Park</i>	10.9224
<i>Kenowa Hills</i>	4.6700
<i>Sparta</i>	8.1500

Source: Alpine Twp. Assessor, May 2022

2021 Non-Homestead Millage	
Taxing Body	Number of Mills
<i>Kent County</i>	4.1850
<i>Alpine Township</i>	4.8749
<i>Kent District Library</i>	1.2484
<i>Senior Millage</i>	0.4842
<i>Museum and Zoo</i>	0.4261
<i>Veterans</i>	0.0482
<i>Kent County Jail</i>	0.7645
<i>Grand Rapids Community College</i>	1.7307
<i>Kent Intermediate School District</i>	5.5157
<i>Early Childhood Education</i>	0.2441
<i>State Education Tax</i>	6.0000
<i>School Operating Tax</i>	18.0000
<i>Local School Debt (pick 1 of the 3):</i>	
<i>Comstock Park</i>	10.9224
<i>Kenowa Hills</i>	4.6700
<i>Sparta</i>	8.1500

Total homestead millage in each of the three school districts:

Comstock Park = 36.4442 mills
 Kenowa Hills = 30.1918 mills
 Sparta = 33.6718 mills

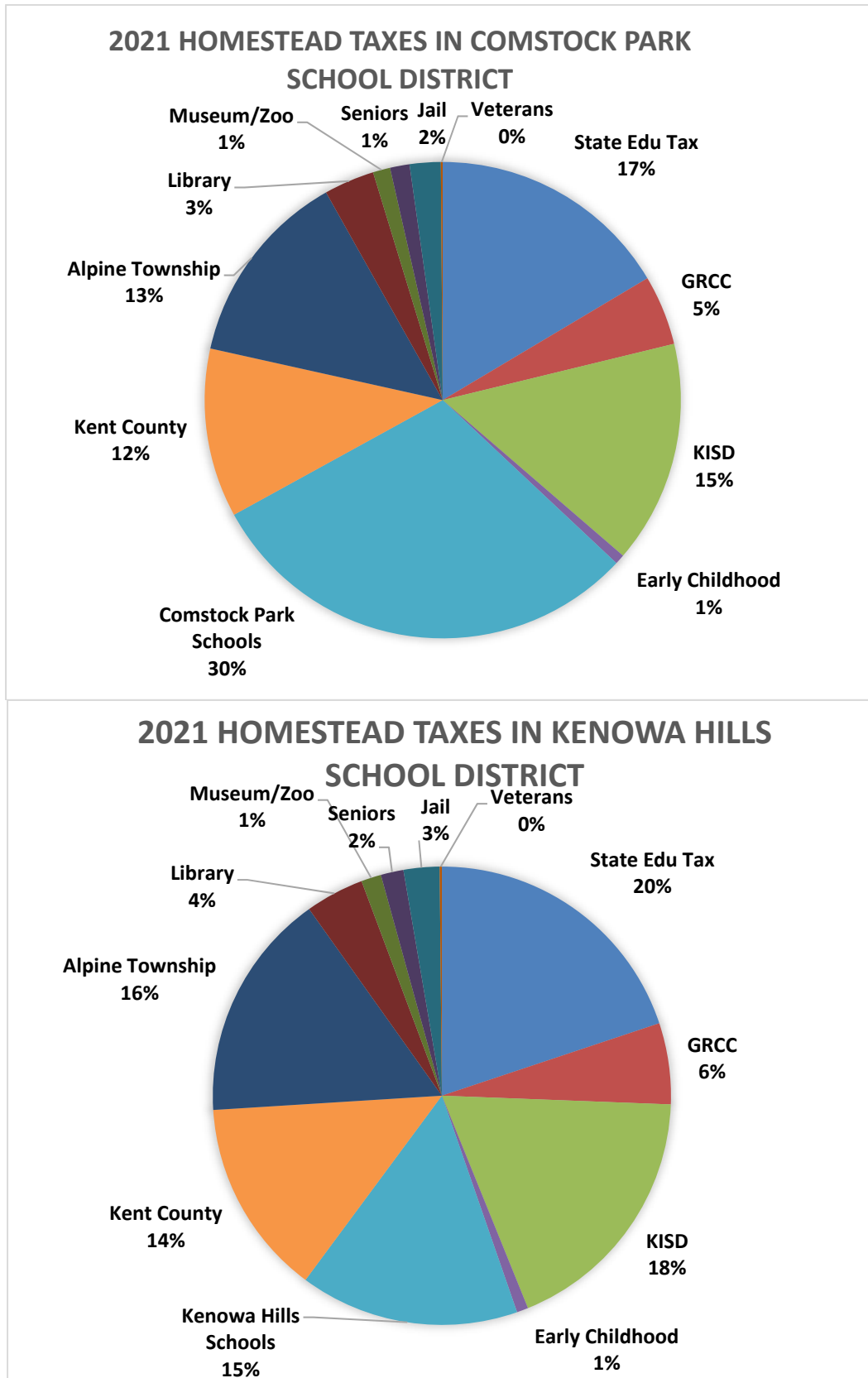
Total non-homestead millage in each of the three school districts:

Comstock Park = 54.4442 mills
 Kenowa Hills = 48.1918 mills
 Sparta = 51.6718 mills

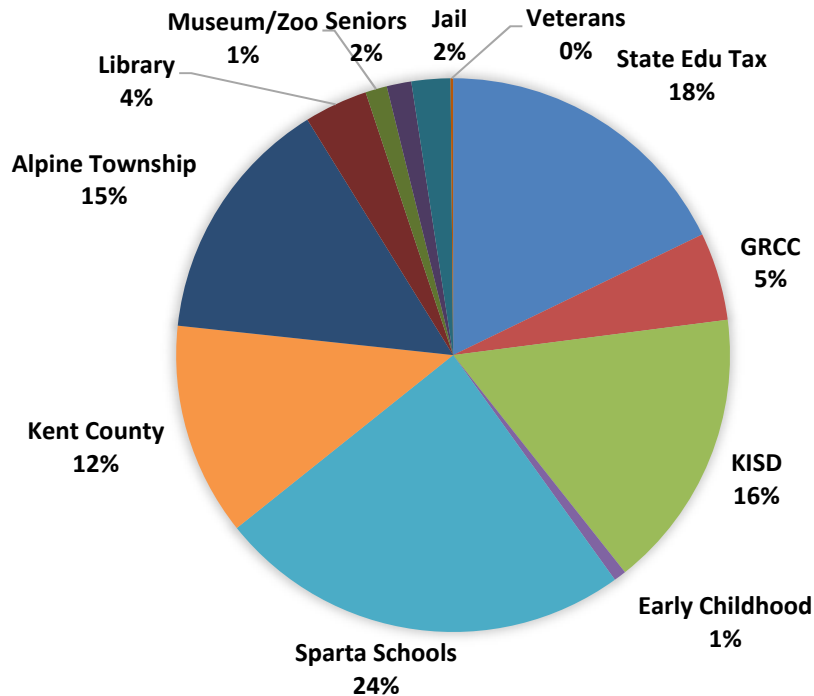
Figure 2 Notes:

- Homestead properties never include the 18 mills for school operating costs
- A Property Tax Administration Fee of 0.50% is included on the tax bill.
- Special Assessments may appear on a tax bill. A Special Assessment is a charge against the property for a public improvement that confers a special benefit to that property that is different from the benefit enjoyed by the general public.

Figures 3



2021 HOMESTEAD TAXES IN SPARTA SCHOOL DISTRICT



Educational institutions (State Education Fund, Grand Rapids Community College, Kent Intermediate School District, early childhood education and local school districts) receive the bulk of the tax dollars collected. For example, in the Comstock Park School District in 2021, 67% of taxes received are for educational institutions and 13% of the taxes received remain with Alpine Township.

The following represents a typical home in the Comstock Park school district using 2021 millage figures from Figure 2. The figures would be somewhat different in the Kenowa Hills and Sparta school districts. For a home in the Comstock Park School District with a taxable value of \$75,000, the annual total tax bill would be \$2,733. $[(36.4442 \text{ mills} \div 1,000) \times \$75,000] = \$2,733$ total tax bill and is broken down thus:

\$819	Comstock Park School District	\$1,831	Education functions, 67%
\$450	State Educational Tax		
\$414	Kent Intermediate School District		
\$130	Grand Rapids Community College		
\$ 18	Early Childhood Education		
\$366	Alpine Township	\$737	Government functions, 27%
\$314	Kent County		
\$57	Kent County Jail		
\$93	Library	\$165	Social/Cultural functions, 6%
\$36	Seniors		
\$32	Zoo / Museum		
\$4	Veterans		
\$2,733	Total Tax Bill		

History of the Township's General Millage Rate

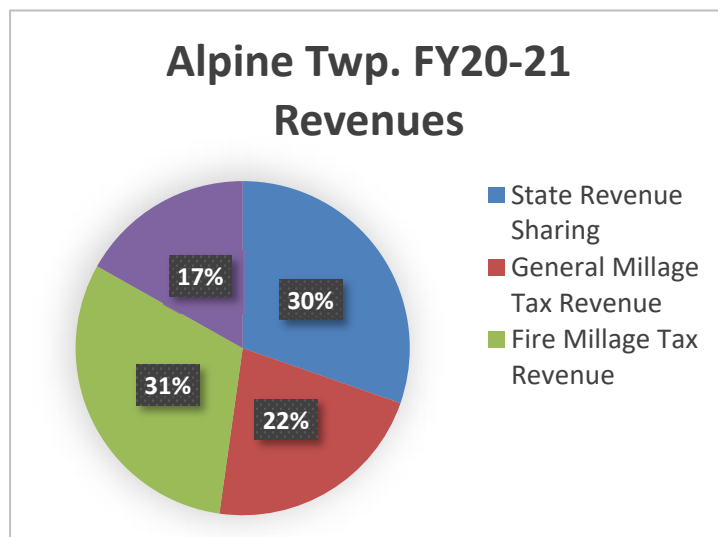
In 1993, Alpine Charter Township found that it could not afford to set aside monies for reserves for fire trucks and other capital needs. In addition, there was a need to fund one shift of a Kent County Sheriff's car at an approximate cost of \$80,000 per year. The Township approached the voters requesting 1 mill for general operating purposes so it could better meet the needs of its citizens. The millage passed by 26 votes.



For many years the library was funded totally through the Township in a very complicated formula. Library funding was very unstable throughout the County. In 1995, a District Library was established by the voters and Alpine Township rolled back its millage 0.25 mills in response to Alpine Township voters who approved the District Library millage. This was a promise that the Board of Trustees made to the voters if they approved the millage and the District Library was established. In 2004, the Township Board increased the millage to the maximum levy of 1.8958 mills from 1.7348 mills. It was noted that the slight increase in revenue would help offset the cost of maintaining current police protection levels.

In 2012, the Township's attorney advised that because the Township reverted back to General Law Township status in 1996, the 1993 general operating millage would expire in 2013. The Township's operating millage was 1.8921 mills; 0.9508 mills of which were set to expire in 2013. In August 2012, voters renewed the 20-year operating millage of 0.9508 mills by 217 votes.

By 2022, the general operating Township millage has decreased to 1.8560 mills because of the *Headlee Rollback*; which dictates that the Township must reduce its operating millage if the millage would produce more tax dollars, adjusted for inflation, than the millage produced the previous year. The financial impact to the Township of the *Headlee Rollback* is somewhat lessened by the Township Board annually holding a public hearing on its proposed budget in compliance with Section 16 of the *Uniform Budgeting and Accounting Act* (MCL 141.436) during the Township's annual budget considerations; which is an allowable alternative to a *Truth in Taxation Hearing*.



In November 2020, the voters of Alpine Township approved a requested Fire Millage of 3.0208 mills. The millage request passed by 302 votes. The millage pays for the construction of a replacement Fire Station #1, provides funding for all Fire Department operations. The passage of the Fire Millage makes available General Fund monies previously used for Fire Dept. operations to be utilized for additional road maintenance, addressing deferred maintenance of Township facilities, or other needed projects.

What is the difference between Assessed Value and Taxable Value?

In 1994, Michigan voters approved a constitutional amendment known as Proposal A. Proposal A was designed to limit growth in property taxes by the Consumer Price Index (CPI) until ownership in the property was transferred.

Prior to Proposal A, property taxes were determined using the assessed value of the property. Since Proposal A, property taxes are based upon taxable value. A property's taxable status is determined as of December 31st each year. The total taxable value of a township reflects the tax base of that municipality.

Assessed Value: The assessed value of a property is an estimate of 50% of its usual selling price as appraised by the Assessor.

Taxable Value: The taxable value of a property is the lesser of the assessed value or the prior year's taxable value (with adjustments for new building additions or losses) multiplied by the lesser of the current year's inflation rate (CPI) or 5%. In most cases, the taxable value of a property has no relationship to market value. However, in the year after a property ownership change, the taxable value becomes the same as the assessed value.

The taxable value is used to determine a property's tax bill and is computed as follows:

$$\text{Taxable Value} \times (\text{Millage} \div 1,000) = \text{Property tax bill}$$

The taxable value of an Industrial Facility Tax is computed as follows:

$$\text{Taxable Value of IFT} \times [(\text{Millage} \div 2) \div 1,000] = \text{IFT tax bill}$$



Tax Income from the General Millage

The following table illustrates actual tax income that Township has received over the last couple of years. The years 2018-2022 illustrates calculated tax income.

Figure 4

General Twp. Millage	% Change in Ad Valorem real/personal property	Year (March to March)	Ad Valorem real/personal property (excluding Renaissance Zone properties)	Twp. Tax income based on previous column's info	Twp. IFTs (tax abated properties excluding Renaissance Zone properties)	Twp. Tax income based on IFTs	Total Twp. Property Tax Income to General Fund
1.8921		2008	417,409,581	789,780	18,687,060	17,678	\$807,458
		2009	416,125,681	787,350	14,715,176	13,920	\$801,270
		2010	407,433,312	770,900	11,795,478	11,158	\$782,058
		2011	391,276,833	740,334	15,463,787	14,628	\$754,962
		2012	376,087,011	711,594	14,875,829	14,073	\$725,667
		2013	387,835,025	733,823	17,227,614	16,297	\$750,120
	-3.0%	2014	380,338,106	719,638	28,762,929	27,211	\$746,849
	2.6%	2015	390,326,993	738,538	30,570,610	28,921	\$767,459
	-0.1%	2016	386,326,076	730,968	23,148,421	21,900	\$752,868
1.8915	1.97%	2017	393,974,880	745,203	22,798,828	21,562	\$766,765
1.8808	4.2%	2018	410,766,733	772,570	22,415,880	21,080	\$793,650
	5.2%	2019	432,345,374	813,155	21,111,627	19,853	\$833,008
	3.6%	2020	448,082,182	842,753	20,596,886	19,369	\$862,122
1.8705	4.3%	2021	467,429,439	874,327	19,067,847	17,833	\$892,160
1.8560	5.3%	2022	492,480,516	914,044	18,776,032	17,424	\$931,468

Source: Alpine Twp. Assessor May 2022

Notes:

- Ad Valorem means “at value” (i.e. without tax abatements)
- IFTs are not ad valorem properties since they are tax abated properties
- IFT stands for *Industrial Facility Tax*. PA 198 of 1974, as amended, provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote the establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a period of 1 to 12 years, to be determined by the local unit of government. A certificate holder will pay a specific tax known as the Industrial Facility Tax.
- The millage decreases over time because of the *Headlee Rollback*.

Real and Personal Property Taxes

Real property is physical land and any buildings upon it. Personal property is business equipment such as office furniture, office equipment, industrial machinery and construction equipment. Beginning in 2014, personal property taxes on industrial equipment is being phased out statewide. Commercial or industrial personal property worth less than \$80,000 in total value can be exempted from personal property taxes if paperwork is filed. The Township receives some monies from the state to replace the lost personal property tax revenues due to legislative changes detailed above. The amount is reduced annually.

3. Other Revenue Sources

Licenses and Permits:

Building permits

Cable TV Franchise fees

Non-building permit fees (zoning permits, land divisions, storm water permits, etc.)

Interest and Rentals

Interest on Investments

Building and Sport Field Rentals

Charges for Services

Petitioned Meetings (Planning Commission and Zoning Board of Appeals)

Property Tax Administration fee

Alpine Township serves as the tax collecting agent for numerous other entities including schools, Kent County, Kent District Library, senior millage, zoo/museum millage and veteran's millage. The Property Tax Administration Fee is the legal mechanism which the State allows local governments to offset administrative costs involved with the property tax assessment, review, collection and appeal processes.

For various budgetary reasons, the Township approved collecting the 1% Administration Fee in 1993. The Board repealed the fee in 2000 since the reasons it was implemented in 1993 had changed; State Shared Revenue had stabilized, there was a voted millage for general fund, public safety, and the formation of a District Library. In 2003, the Twp. Board reinstituted the 1% Administration Fee because only a slight increase in property taxes was expected, deeper cuts in State Shared Revenue was expected and there were changes to the tax collection process itself. In 2011, the Twp. Board reduced the Administration Fee from 1% to 0.75%. In 2012, the Twp. Board reduced the Administration Fee to 0.50%.

Tax Abatement fees

Grave sales and burials

School Election operations

Passports and photographs

Miscellaneous Sources

Grants and METRO Act revenues which are restricted for public right-of-way purposes

Sale of Fixed Assets

Special Assessment Districts and Miscellaneous

GENERAL FUND EXPENSES

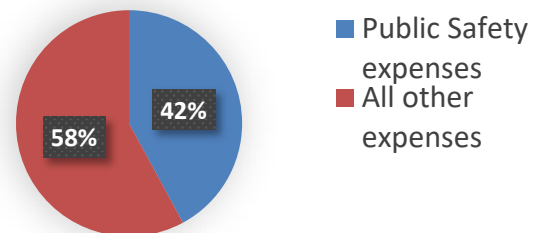
The expenses are broken down into 8 basic functions, plus Contingency. The 8 basic functions constitute the General Fund portion of the Annual Budget and Contingency monies are over and above the General Fund portion of the Annual Budget.

1. Legislative expenses include per diems for the four Trustees and meeting and conference expenses for all Board of Trustee members.
2. General Government is a very broad category which includes:
 - General Administration, including all service contracts, office supplies, dues and memberships, publication of notices, the Township newsletter, engineering, tax refunds, and postage
 - Expenses related to the Supervisor, Clerk and Treasurer, including their Deputies
 - Expenses related to elections, including school elections
 - The Assessing Dept., including the Board of Review
 - Legal expenses
 - Township auditing expenses
 - All non-fire dept. building and grounds maintenance supplies, repair costs and contracted services, including snowplowing, mowing, and utility costs
 - Cemetery costs for maintenance and services at three cemeteries
 - All non-fire dept. employee compensation including hospitalization, pensions, life insurance and sick/deferred comp. for full time employees, insurance and pension for Trustees, workers compensation and liability insurance on all employees, as well as building, vehicle and liability insurance on all properties owned by the Township
3. Public Safety includes:
 - All expenses for police services through the Kent County Sheriff's Department for two 8-hour seven days-a-week shifts of policing (16 hours of coverage from 8 a.m. to 12 a.m.) and one Community Police officer (2/3rds of the officer's 40-hour week is spent in Alpine Township and 1/3 is spent in Plainfield Township).
 - All Building Inspection expenses including the salaries of the Building Official, Administrative Assistant, Plumbing/Mechanical and Electrical Inspectors.
4. Public Works includes:
 - ITP the Rapid public transportation system (line-haul bus service) and GO! Bus para-transit service for the elderly and handicapped.
 - Street lighting expenses, which are reimbursed by special assessment for approximately 80% of the total costs.
 - Township share of road construction and maintenance costs. Sidewalk and infrastructure costs.
 - Meijer-Wendy's service drive expenses, which are fully reimbursed by special assessments.
 - Watersheds and drains.
 - Special Assessment costs, which are reimbursed, for drain and road projects
5. Community and Economic Development includes the salaries of the Township Planning Director and Zoning Enforcement Officer and all expenses related to the Planning Commission and the Zoning Board of Appeals.

6. Recreation and Culture includes Library building costs, Historical Committee and building expenses for the Museum and half of the Community Building, and Parks and Recreation expenses other than capital and equipment.
7. Capital Outlay includes equipment over \$5,000; Township Center, Library, Museum and Community office equipment and furniture; computers and software; building additions and land improvements.
8. Debt Service includes the principal and interest payments on any debt, such as an installment purchase or bond.

Contingency: In addition, the Township Board sets aside a certain percentage of the total expenditures of the General Fund portion of the Annual Budget as Contingency, which is used to pay for unplanned or unexpected expenditures. The Contingency amount is generally in a range of 6-8% of the total expenditures for that fiscal year.

Alpine Twp. FY20-21 Expenses



FUND BALANCE

Annually, after all of the revenues and expenses for a specific fiscal year have been accounted for (i.e. the Annual Budget), any remaining money becomes part of the Fund Balance for the General Fund. The Township's Fund Balance is comprised of remaining monies that have accumulated over time. Each year a *Fund Balance Summary* is prepared for the Annual Budget public hearing.

After the Annual Budget is set, the Township assigns or commits some of the Fund Balance monies to specific projects such as for capital improvement projects, maintenance projects and etcetera. The residual monies are un-assigned fund balances. Within the un-assigned Fund Balance, our auditors recommend retaining 3 to 6 months of anticipated operating costs. It has been Township practice to retain a minimum of 6 months of general operating costs within the un-assigned Fund Balance.



CHAPTER 3 FIRE FUND (#206)

This Special Revenue Fund accounts for all financial resources to be used for all operational expenditures of the Alpine Township Fire Department. Revenues are derived from the Fire Millage approved in November 2020. The fund covers debt service for new Fire Station #1, Fire Department capital improvements needs, and building improvements for the three fire stations.

FIRE FUND REVENUE

History of the Township's Fire Millage

In November of 2020, the voters of Alpine Township approved a requested Fire Millage of 3.0208 mills. The millage request passed by 302 votes. The ballot language is below.

Fire Protection Services Millage Proposal

Shall Alpine Township increase the tax rate limitation imposed under Article IX, Section 6 of the Michigan Constitution on general ad valorem taxes and levy a new additional millage of 3.0208 mills (\$3.0208 per \$1,000 of taxable value) on taxable property within Alpine Township for twenty (20) years, 2020 through 2039, inclusive, to provide funds for the purpose of designing, renovating, constructing, improving, equipping, and furnishing a new fire station and for general operating and capital costs of the Alpine Township Fire Department, and shall Alpine Township be authorized to levy such new additional millage thereby raising an estimated \$1,362,919 in the first year of its levy?

The millage pays for the construction of a new Fire Station #1 at 1100 Henze Street. In addition, the millage provides funding for all Fire Department operations moving forward. The passage of the Fire Millage makes available General Fund monies previously used for Fire Dept. operations to be utilized for additional road maintenance, to address deferred maintenance of Township facilities, and other needed projects.

Tax Income from the Fire Millage

The following table illustrates calculated tax income.

Figure 5

Fire Millage	Year (March to March)	Ad Valorem real/personal property (excluding Renaissance Zone properties)	Twp. Tax income based on previous column's info	Twp. IFTs (tax abated properties excluding Renaissance Zone properties)	Twp. Tax income based on IFTs	Total Twp. Property Tax Income to Fire Fund
3.0208	2020	448,082,182	1,353,566	20,596,886	31,109	\$1,384,675
3.0044	2021	467,429,439	1,404,345	19,067,847	28,644	\$1,432,989
2.9812	2022	492,480,516	1,468,183	18,776,032	27,987	\$1,496,170

Source: Alpine Twp. Assessor May 2022

Notes:

- Ad Valorem means “at value” (i.e. without tax abatements)
- IFTs are not ad valorem properties since they are tax abated properties
- IFT stands for *Industrial Facility Tax*. PA 198 of 1974, as amended. A certificate holder will pay a specific tax known as the Industrial Facility Tax.
- The millage decreases over time because of the *Headlee Rollback*.
- For more information on how property tax income is calculated for millages see page 12

FIRE FUND EXPENSES

The expenses are broken down into 3 basic functions, plus Contingency. The 3 basic functions constitute the Fire Fund portion of the Annual Budget.

1. Public Safety includes:
 - All Fire Department expenses other than equipment and vehicles. Building utilities, education and training, repair and maintenance, medical and rescue supplies
 - Salaries and wages, disability insurance on firefighters, workers compensation and liability insurance on all fire dept. employees, as well as building, vehicle and liability insurance on all Fire Station properties owned by the Township
 - General Administration, including all service contracts, office supplies, dues and memberships, and postage
2. Capital Outlay includes equipment over \$5,000; Fires Stations #1, #2 and #3 office equipment and furniture; computers and software; fire equipment and vehicles; building additions and land improvements.
3. Debt Service includes the principal and interest payments on any debt, such as an installment purchase or bond.

FUND BALANCE

Annually, after all of the revenues and expenses for a specific fiscal year have been accounted for (i.e. the Annual Budget), any remaining money becomes part of the Fund Balance of the Fire Fund. The Township's Fund Balance is comprised of remaining monies that have accumulated over time. Each year a *Fund Balance Summary* is prepared for the Annual Budget public hearing.

After the Annual Budget is set, the Township assigns or commits some of the Fund Balance monies to specific projects such as for capital improvement projects, maintenance projects and etcetera. The residual monies are un-assigned fund balances. Within the un-assigned Fund Balance, our auditors recommend retaining 3 to 6 months of anticipated operating costs. It has been Township practice to retain a minimum of 6 months of general operating costs within the un-assigned Fund Balance.



CHAPTER 4 WATER FUND (#401)

This fund is used to account for financial resources to be used for construction of major facilities and public improvements involving the water system within the Township. Alpine Township is a retail customer of Plainfield Charter Township's water system. Plainfield bills Alpine water customers for service and owns the mains.

Although the Township Board is not required to budget for a *Capital Project Fund*, an estimated budget was developed for guidance in this fund.

RESPONSIBILITIES FOR THE WATER SYSTEM

Plainfield Charter Township owns and maintains the water lines within Alpine Township. Alpine Township's responsibility is to assist in planning for system capacity and system improvements.

BACKGROUND OF THE WATER SYSTEM

In the late 1950's, Everett Ladd began building a small subdivision of 76 lots which is now a part of the larger Westgate subdivision. Since the Township was not ready to get into the business of public water treatment, Mr. Ladd provided a private water system for those first homes. But that new development brought an awareness of the need for future utilities, which the Township Board began to explore. By 1961, Alpine and Plainfield Townships contracted with an engineering firm to develop a plan for linking the private Westgate water system and two other existing systems within Plainfield Township. The plan also called for drilling new wells near the Grand River in Plainfield Township and adding a pumping, purifying and softening plant. The initial system needed at least 1,000 customers, so the two Townships worked together to form this new public water system. On December 8, 1961, Alpine and Plainfield Townships signed a contract to put them in the water business. Alpine Township became a retail customer of Plainfield Township; as such, Plainfield supplied public water to residents within Alpine Township and billed them for the same.



Through the 1960's and 1970's, most of the water system and customers were within the Westgate subdivision, with some smaller projects. In 1986-87, the Township, with the cooperation of its residents and businesses along Alpine Avenue, constructed a huge water project which extended down 7 Mile Road to Alpine Avenue, down Alpine Avenue to 4 Mile Road and 4 Mile Road west to Cordes Avenue.

In 1996, Alpine and Plainfield Charter Townships forged a 425 Agreement in an effort to bolster and protect the water system investment made by the two communities [P.A. 425 of 1984, Intergovernmental Conditional Transfer of Property by Contract Act].

In 1999, Alpine Township entered into a 40-year contract with Plainfield Charter Township for Plainfield to supply, sell and deliver water to Alpine Township. (Agreement #98-28)

In 2009, Alpine and Plainfield townships formally dissolved their 425 Agreement because the investment in the water system was deemed secure and the other provisions for mutual services were deemed no longer practical. After the 425 Agreement was dissolved, Alpine Township retained its established water service boundary (Sections 13, 23-26 and 31-36 in their entirety along with the SE $\frac{1}{4}$ of Section 11 and 27; the SW $\frac{1}{4}$ of Section 12 and the West $\frac{1}{2}$ of Section 14) and Plainfield Charter Township gained ownership of the water distribution system.

WATER FUND REVENUES

Special Assessments: This category includes the principal, interest and penalties for water main installations completed and funded through the special assessment process.

Property owners who chose not to connect to public water at the time of installation and which were not part of a special assessment district have assigned deferred amounts (i.e. per-foot charge of approved construction costs). Deferred amounts are only potential revenues. Only actual revenues are included in this category, after payment of the assigned deferred amount occurs. Deferred amounts are due when a property connects to the public water system or if the property is split (per the Township's Land Division Ordinance).

Property owners who do not have assigned deferment amounts have deferred frontage/water availability charges. Deferred frontage/water availability charges are also only potential revenues. Only actual revenues are included in this category, after payment of the charge occurs. Deferred frontage/water availability charges are due when a property connects to the public water system or if the property is split (per the Township's Land Division Ordinance). The Township charges a flat per-foot fee, which is approved by resolution of the Township Board from time to time.

Capital Water Charge: In 1997, when the Township was realizing huge capital improvement costs, particularly with the construction of the Alpine Meadows-Kenowa Hills water line down 4 Mile Road, the Township Board approved a Water Capital Improvements Charge which is collected annually on the Winter tax bills for capital improvement costs for the water system funded by Alpine Township (Resolution #97-26). This charge, based on meter size, is assessed to all businesses and residences connected to public water. In October 2002, the Capital Water Charge was increased by 25%. In 2017, the Capital Water Charge for a single-family home was \$25 and for uses other than single-family homes the charge was greater than \$25 and is based upon the water meter size. The Capital Water Charge helps fund future water needs that Plainfield Township Water Department is unable to address and pays for water expenses Alpine Township incurs.

Fire Protection Fees: Since the origination of the public water system in 1961, Plainfield Township has assessed Alpine Township for capital costs of the system through a fire protection/hydrant maintenance fee. Hydrant maintenance is somewhat a misnomer. The fees for the capital charges are assessed on a per hydrant basis, since that is thought to be a fair way to "measure" the water system within each community. Alpine Township has then paid a portion of these fees directly from the General Fund and assesses the balance to all residents and businesses within 1,000 feet of a hydrant for their proportional share based on their Taxable Value as allowed through the special assessment process.

Alpine Township assesses not only residents and businesses connected to public water, but also those who still have wells and have hydrants available to them within 1,000 feet. Such residents are assessed because all residents and businesses within the water system area enjoy the additional protection realized by fire hydrant availability and a lower ISO rating and thus reduced insurance costs on their homeowners' policies.

Interest on Accounts: The interest earned on the Water Fund monies.

Miscellaneous: Includes bond monies that may be received and other miscellaneous income that may be realized from time to time.

WATER FUND EXPENSES

Consultant Fees: Includes general engineering and legal fees that are not related to a specific project. Map updates for the water system or legal questions on financing the water system are good examples of this type of expense.

Fire Protection/Hydrant Fees: Fire Protection fees are charged annually by Plainfield Charter Township for the capital improvement costs as detailed under Water Fund Revenues. This expense item includes the full charge from Plainfield Charter Township, which therefore includes the Township-at-large cost share of 20%.

General Fund Administration: There are several Township employees who serve in some capacity with the public water system. The Township evaluates each of these staff member's overall duties to the water system and charges a percentage of their time and benefits to the water fund. In addition to staff time, the Township must annually assess the correspondence, mileage, GIS costs and building costs (utilities and square footage) related to water fund administration. This total charge is then reimbursed to the General Fund.

General System Improvements: The capital costs incurred by Alpine Township for water extensions, mapping, etcetera that do not relate to a specific project.

Project Expenditures: These are the expenses related to specific projects that are generally tracked to form a basis for a special assessment or future payback.

Debt Service: This item includes the principal from both General Obligation and Special Assessment bonds, interest, and administration costs related to those bonds.

Miscellaneous: Recording of easements, agreements and other miscellaneous expenses.

HISTORY OF WATER FUND ADMINISTRATION

As the Township has grown, the division of duties for the Water Fund has varied. In 1992, the Deputy Treasurer took over the duties of Sewer and Water Administrator from the former Treasurer. The new Treasurer continued to bill and maintain the records for water system Special Assessment Districts. The Treasurer is also responsible for the development and updating of the fire protection special assessment roll and Water Capital Charges. In 1999, the Zoning Administrator assumed the day-to-day responsibilities for oversight of water system questions; while the Deputy Treasurer turned Clerk (in 1994) became the principal representative to Plainfield's Water Infrastructure meetings, water system master plans, consultation with the engineers, and special assessment correspondence. Under an agreement with Plainfield Township, residents can pay their water bills through Alpine Township for their convenience. The Deputy Treasurer/Receptionist receives those payments and issues a check for the same. The Zoning Administrator assists residents in determining general public water availability and REGIS updating. Beginning in 2006, the Building Official assumed the day-to-day responsibilities for oversight of water system questions and connection fees. Beginning in 2015, Alpine Township stopped collecting water trunkage fees, a readiness to serve charge that funds capital improvements (see Resolution #15-21). Plainfield Township now collects the entire trunkage fee.

CHAPTER 5 SEWER FUND (#571)

This fund is used to account for financial resources to be used for construction of major facilities and public improvements, operation and upkeep of the sanitary sewer system within the Township. Alpine Township owns the sewer mains (i.e. the collection system) within the Township. Alpine Township is a member of the North Kent Sewer Authority made up of five communities working together to provide quality sewage treatment service (Alpine, Cannon, Courtland and Plainfield Townships along with the City of Rockford). Alpine Township has also contracted with the NKSA to maintain its sewer collection system.

Although the Township Board is not required to budget for an *Enterprise Fund*, an estimated budget was developed for guidance in this fund.

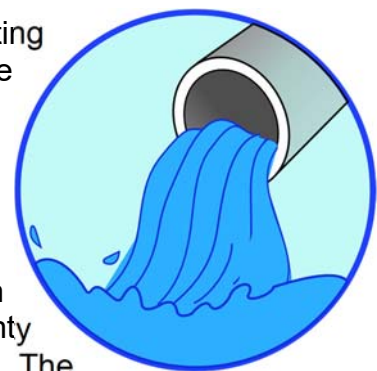
RESPONSIBILITIES FOR THE SANITARY SEWER SYSTEM

Alpine Township owns all of the sanitary sewer mains within Alpine Township. Through the North Kent Sewer Authority, Alpine Township is part owner of several joint components of the system and one local shared component (sewer main) with Plainfield Township. It is the Township's responsibility to plan for system capacity and improvements.

In 2012, Alpine Township entered a 10-year contract with the North Kent Sewer Authority to provide the maintenance services previously performed by the Kent County DPW. At this point, both the NKSA and Alpine Township carry insurance for the system.

BACKGROUND OF THE SANITARY SEWER SYSTEM

In 1966, the Township Board first began to work toward getting public sanitary sewer to the Township. Septic systems within the Stowell Terrace Plat in Section 36 were found to be polluting York Creek. In November 1967, the Board approved the location, acquisition and construction by the County of the North Kent Sewer System; which Alpine and Plainfield Townships and the City of Rockford had initiated in 1966. Over the next two years, the first sewer trunk lines were built within the two Townships and north to the City of Rockford. Kent County agreed to finance, operate and maintain the sewer system. The County then entered into an agreement with the City of Grand Rapids for the treatment of sewage delivered from the North Kent Sewer System.



A public hearing was held in 1973 to notify residents of the public health concerns in the Westgate subdivision area, where pollution of Strawberry Creek and the failure of septic

systems were being evidenced. In 1976-77, a \$3,000,000 sanitary sewer project was undertaken in the Westgate subdivision with the assistance of federal funding.

In 1997, the five communities of the North Kent Sewer System (Alpine, Plainfield, Cannon, Courtland and Rockford) decided to unite as the North Kent Sewer Authority (NKSA) for the purpose of bonding for the improvements recommended in the original and subsequent Prein and Newhof studies, and to work toward the future ownership, operation and maintenance of the North Kent Sewer System. The original bonds to Kent County had been paid in full, but per the contract terms that existed, the County would continue to own, operate and maintain the system until the year 2017 or the expiration of the contract with the City of Grand Rapids for sewage treatment in November of 2008.

In October of 2005, the Township Board approved the NKSA Cost-Sharing Agreement (Resolution #05-28). In October 2006, the NKSA voted to build a plant and borrowed \$50 million to do so. To facilitate the change in sewer flows to the south into the City of Walker (serviced by the City of Grand Rapids) to instead flow east to the new PAARC Side treatment plant under construction, Alpine Township installed sewer down 4 Mile Road from Fruit Ridge Ave. to Alpine Avenue in 2008.

Construction of the PARCC Side Clean Water Plant in Plainfield Township was completed in the fall of 2008 prior to the contract expiration with the City of Grand Rapids. Flow to the plant constructed at 4775 Coit Avenue NE began in October 2008. The Transfer Service Agreement from the City of Grand Rapids to the North Kent Sewer Authority became effective on December 1, 2008.

SEWER FUND REVENUES

Charges for Services Rendered: This item is for the fees charged and collected for quarterly sewer usage. Sewer usage is charged at a flat rate based on the number of Residential Equivalent Units (REUs) assigned to a property based on its anticipated usage. A single residence is 1 REU; the number of REUs assigned to a business depends on the type of business and square footage of building. The Treasurer's office bills for sewer service in January, April, July and October, with due dates at the end of the following month.

Penalties for Sewer Usage: Income earned from charges on delinquent quarterly sewer billings.

Special Assessment Interest and Penalties: This category includes the interest and penalties for sewer installations completed and funded through the special assessment process.

Property owners who have chosen (prior to the 2010 adoption of the Alpine Twp. Sewer Administration Ord.) not to connect to public sanitary sewer at the time of installation and which were not part of a special assessment district have assigned deferred amounts (i.e. a per-foot charge of approved construction costs). Deferred amounts are only potential revenues. Only actual revenues are included in this category, after payment of the

assigned deferred amount occurs. Deferred amounts are due when a property owner connects to the public sanitary sewer system or if the property is split (per the Township's Land Division Ordinance).

Property owners who do not have assigned deferment amounts have deferred frontage/sewer availability charges instead (i.e. a flat per-foot fee, which is approved by resolution of the Township Board from time to time). Deferred frontage/sewer availability charges are also only potential revenues. Only actual revenues are included in this category, after payment of the charge occurs. Deferred frontage/sewer availability charges are due when a property connects to the public sanitary sewer system or if the property is split (per the Township's Land Division Ordinance).

Special Note: Since this is an *Enterprise Fund* (which is a type of *Propriety Fund*), the amounts collected for special assessments (principal) is not calculated in a simple Revenue-Expenditure Budget, nor will they appear in the Audit Reports as Revenue. For the purposes of a Cash Flow Projection, however, the auditors have noted that you could show that income in a separate chart to illustrate that cash coming into the budget to offset expenses.

Sewer Connection Fee (i.e. Trunkage): As part of the connection fees to public sanitary sewer, each business or residence must pay a fee toward the capital improvement costs of making sewer lines available to that area. There are two components to this fee:

1. Township Trunkage Fee: Based upon proposed use and square footage of building. Uses Residential Equivalency Units (REUs) as the measurement for the charge
2. NKSA Connection Fee: Based upon the size of the water meter. Uses Meter Equivalent Factor (MEFs) as the measurement for the charge.

Interest on Account: This is the interest earned on the Sewer Fund.

SEWER FUND EXPENSES

Consultant Fees: Include general engineering and legal fees that are not related to a specific project area. Map updates for the sewer system or legal questions on financing the sewer system are examples of this type of expense.

Office Supplies: Includes postcards for quarterly billings, postage and other miscellaneous expenses.

Operational Expenses: Charges received from the NKSA for sewage treatment, Clean Water Plan bonds, operation and maintenance of the system, periodic cleaning of lines and other charges from time to time. These charges are based upon the volume of sewage flow. Of the total flow from the five communities, Alpine Township's share of the NKSA system flow is 23.04% in 2017.

General Fund Administration: There are several Township employees who serve in some capacity with the public sanitary sewer system within Alpine Township. The Township evaluates each of these staff member's overall duties to the sewer system and charges a

percentage of their time and benefits to the sewer fund. The Township must also annually assess the correspondence, mileage, GIS and building costs (utilities and square footage) related to sewer fund administration. This total charge is then reimbursed to the General Fund.

General System Improvements: The capital costs incurred by Alpine Township for sewer extensions, mapping, etcetera that do not relate to a specific project.

Project Expenditures: These are the expenses related to specific projects that are generally tracked to form a basis for a special assessment or future payback.

Debt Service: This item includes the principal from current and future Special Assessment bonds, interest, and administration costs related to those bonds.

Depreciation: Since this is an *Enterprise Fund*, the auditors assist in computing depreciation on the assets of this fund, most notably the investment in projects (sewer lines installed) based on a 60-year life expectancy.

HISTORY OF SEWER FUND ADMINISTRATION

As the Township has grown, the division of duties for the Sewer Fund has also varied. In 1992, the Deputy Treasurer took over the duties of Sewer and Water Administrator from the former Treasurer. The new Treasurer and her Deputy continued to bill and maintain the records for sewer system Special Assessment Districts and the quarterly billings for sewer usage. In 1999, the Zoning Administrator assumed the day-to-day responsibilities for oversight of sewer system questions and connections. The Deputy Treasurer turned Clerk (in 1994) has been the representative to the North Kent Sewer Authority since its inception and deals with the major policy communications and decisions with the Board. The Zoning Administrator assists residents in determining general public sewer availability and REGIS updating. Beginning in 2006, the Building Official assumed the day-to-day responsibilities for oversight of sewer system questions and connection fees.



CHAPTER 6

SPECIAL REVENUE FUNDS

(#206, 230, 231, 232, 233 & 234)

There are six Special Revenue Funds for *externally restricted* monies the Township receives for a specific purpose. Each Special Revenue Fund must have a budget. In the future, any non-water/sanitary sewer special assessment district project likely will have its own Special Revenue Fund.

Fund #206 Fire Fund

This fund accounts for all financial resources to be used for all operational expenditures of the Alpine Township Fire Department. Revenues are derived from the Fire Millage approved in November 2020. The fund covers debt service for new Fire Station #1, Fire Dept. capital improvements needs, and building improvements for the three fire stations.

Fund #230 York Creek Drainage District per acre fee

All development or redevelopment within the York Creek Drainage District that necessitates a storm water permit is required to construct a regional pond with a payback agreement, participate in a special assessment district to build a regional pond, or construct a 25-year storm water pond and pay into the York Creek Drainage District Fund (Policy #06-01). Monies from this Fund are to be used to construct regional ponds or other storm water improvements within the York Creek Drainage District.

Fund #231 Meijer/Wendy's Service Drive SAD

Monies are collected annually from property owners through the special assessment process to pay for snowplowing and pavement repairs. This north/south service drive runs behind commercial businesses along Alpine Avenue at the northwest corner of Section 24.

Fund #232 Fire Department Donations

From time to time, citizens donate monies to the Fire Department, often as memorials. Monies from this Fund are used for various Fire Department purchases and projects.

Fund #233 Historical Committee Donations

From time to time, citizens donate monies to the Historical Committee, often as memorials. In addition, the Township Board approved transferring all book sales of the *150 Years of Alpine Township History*, by David Wier, into the Fund. The history book was a Historic Committee project and all expenses related to the book have been covered by previous years' sales. Monies from this Fund are used for various historic projects.

Fund #234 Farmland Preservation

The Township Board has established this fund and provided seed monies to which citizens may contribute towards Farmland Preservation efforts. Monies from this Fund are used towards the purchase of development rights program in Kent County.

CHAPTER 7 CAPITAL PROJECT FUNDS (#400 series)

The Capital Project Funds are not an original source of monies for public improvement projects, but holding places for project monies once committed or assigned from the General Fund or Fire Fund and prior to spending. The Funds' source of monies is from the Fund Balance portions of either the General Fund or the Fire Fund and may also be from the Annual Budget. The Township Board has committed (i.e. *internally restricted*) monies for the capital projects identified with 400 series Fund numbers.

Although the Township Board is not required to budget for a Capital Project Fund, the Capital Improvements Plan is the estimated budget developed for guidance of each of these Funds. There are about a dozen or so Capital Project Funds for specific items are areas of need.

It is recommended that annual installments of monies for mandated capital improvement projects be temporarily accounted for within the Annual Budget to ensure the necessary funds will be saved towards these projects. This is capital improvement **planning**; planning to save money. A mandated capital improvement project is one that is required by state or federal law or regulation. An example of a mandated capital improvement project would be firefighter breathing equipment since it is life/safety equipment that is required to be replaced per the National Fire Protection Association standards. Prior to the end of the fiscal year, these monies are moved out of the Annual Budget and into the respective Capital Project Funds by the Board committing them or the Supervisor assigning them. According to our auditor, doing so is fine and the Township does not have to evaluate the financial activity for the year before doing so.

All other capital improvement projects will continue to be funded from Fund Balance monies of either the General Fund or the Fire Fund. Monies that are committed by the Township Board or assigned by the Township Supervisor out of Fund Balance for public improvements will be moved into the respective Capital Project Funds.

CHAPTER 8

GLOSSARY

Assessed Value of a property is an estimate of 50% of its usual selling price. In other words, the assessed value is half of the Assessor's estimate of a property's market value.

Assigned monies are monies that are "set aside" for a specific project or purpose but do not meet the criteria to be classified as restricted or committed. Monies are assigned so that when the money for the goal or project is needed, it is available without affecting the normal fiscal operations of the Township. Assigned monies can be changed by the Township Supervisor.

Capital Improvement Project has been defined in Alpine Township as being a project that is consistent with the Master Plan, costs a minimum of \$10,000, has a useful life of at least 5 years, does not reoccur frequently, and results in a fixed asset or revitalization of a fixed asset.

Capital Project Fund is a type of governmental fund. Its funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays; including the acquisition or construction of capital facilities or other capital assets. *Mich. Dept. of Treasury, Uniform Chart of Accounts for Counties and Local Units of Government, April 2002 and GASB #54*

CIP stands for Capital Improvements Plan

Committed monies are internally restricted monies. These monies are restricted for a specific project or purpose formally by the Township Board and can only be changed by the Township Board. An example would be monies committed (i.e. formally set aside) for future capital improvement projects.

Enterprise Fund is a type of Proprietary Fund. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. *Mich. Dept. of Treasury, Uniform Chart of Accounts for Counties and Local Units of Government, April 2002*

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The enterprise fund concept provides accounting and reporting which shows whether the utility activity is operated at a profit or loss similar to private businesses. The enterprise fund should include the related fixed assets of the system. *State of Colorado Dept. of Local Affairs*

Fund Balance is comprised of remaining monies that have accumulated over time. Annually, after all of the revenues and expenses for a specific fiscal year have been accounted for (i.e. the Annual Budget) any remaining money becomes part of the Fund Balance.

General Obligation Bonds are backed by the authority to raise taxes. They must be supported by an increase in millage over allocated or chartered limits to be approved by voters prior to issuance. These bonds are sometimes called “full faith and credit” bonds because they pledge tax revenues to the bond purchaser to satisfy the debt. Public Act 116 of 1923, as amended. *“Funding Capital Improvements”, James White*

IFT stands for **Industrial Facility Tax**. Public Act 198 of 1974, as amended, provides a tax incentive to manufacturers in order to enable renovation and expansion of aging industrial facilities, building of new facilities, and to promote the establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a period of 1 to 12 years, to be determined by the local unit of government. A certificate holder will pay a specific tax known as the Industrial Facility Tax.

METRO Act stands for the **Metropolitan Extension Telecommunications Rights-of-Way Oversight Act**, Public Act 48 of 2002. The monies come from statewide rights-of-way fees collected annually from telecommunication providers by the METRO Authority and then dispersed upon the municipalities of the state. The revenue source is restricted by the Act to be used solely for public rights-of-way-related purposes. And by definition within the Act, it does not include state right-of-way. Townships with a population greater than 10,000 persons must annually report to the Authority on the use and disposition of the Metro Act monies. *“Legal Expenditures for METRO Act Revenues”, Robert Thall*

Millage Rate is the amount per \$1,000 that is used to calculate taxes on property and is expressed in mills per dollar. One mill is 1/1000 of a dollar and generates \$1 per \$1,000 of taxable value. $(\text{Millage} \div 1000) \times \text{Taxable Value} = \text{Property Tax Levy}$

Restricted monies are externally restricted monies. These monies are restricted for a specific purpose by reason of an external control. Examples include METRO Act revenues which are restricted by the state legislature for public right-of-way related uses, Fire or Historical memorial donations, and the York Creek Drainage District monies.

Special Assessment is a charge against the property for a public improvement that confers a special benefit to that property that is different from the benefit enjoyed by the general public. *Fluckey v City of Plymouth, 358 Mich. 477, 1960*. Public Act 188 of 1954, as amended

Special Assessment Bonds are used to finance the cost of improvements for which the township has levied special assessments against specifically benefited properties. The Special Assessment Roll is pledged as security for the bonds.

Special Revenue Fund is a type of fund that contains monies from specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Taxable Value of a property is the lesser of the assessed value or the prior year's taxable value (with adjustments for new additions or losses) multiplied by the lesser of the current year's inflation rate (CPI) or 5%. In most cases, the taxable value of a property has no relationship to market value. However, in the year after a transfer of ownership, the taxable value becomes equal to the assessed value.

APPENDIX A

TOWNSHIP FUND BALANCE POLICY

The Township's adopted Fund Balance Policy addresses the requirements of *Governmental Accounting Standards Board (GASB) Statement #54* and states how to report fund balances for different types of Funds. It also provides the order of operations regarding which Funds should be drawn from first (i.e. use monies with the most strings attached first).

ALPINE TOWNSHIP

POLICY NO. 13-02

FUND BALANCE POLICY IN ACCORDANCE WITH GASB STATEMENT NO. 54

Purpose. The following policy has been adopted by the Alpine Township Board of Trustees in order to address the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Reporting and Governmental Fund Definitions. The policy is created in consideration of unanticipated events that could adversely affect the financial condition of the Municipality and jeopardize the continuation of necessary public services. This policy will ensure that the Municipality maintains adequate fund balances and reserves in order to:

- a. Provide sufficient cash flow for daily financial needs,
- b. Secure and maintain investment grade bond ratings,
- c. Offset significant economic downturns or revenue shortfalls, and
- d. Provide funds for unforeseen expenditures related to emergencies.

This policy and the procedures promulgated under it supersede all previous regulations regarding the Municipality's fund balance and reserve policies.

Fund Type Definitions. The following definitions will be used in reporting activity in governmental funds across the Municipality. The Municipality may or may not report all fund types in any given reporting period, based on actual circumstances and activity.

General fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

Debt service funds are used to account for all financial resources restricted, committed or assigned to expenditure for principal and interest.

Capital projects funds are used to account for all financial resources restricted, committed or assigned to expenditure for the acquisition or construction of capital assets.

Permanent funds are used to account for resources restricted to the extent that only earnings, and not principal, may be used for purposes that support the Municipality's purposes.

Fund balance reporting in governmental funds. Fund balance is to be reported in governmental funds under the following categories using the definitions provided by GASB Statement No. 54:

Nonspendable fund balance

Definition – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Classification – Nonspendable amounts will be determined before all other classifications and consist of the following items (as applicable in any given fiscal year):

The Municipality will report a fund balance equal to the balance of any long-term outstanding balances due from others (including other funds of the Municipality).

The Municipality will report a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset with liabilities and actually result in fund balance).

The Municipality will report a fund balance equal to the corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact.

The Municipality will report a fund balance equal to the balance of any land or other nonfinancial assets held for sale.

Restricted fund balance

Definition – includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed fund balance

Definition – includes amounts that can be used only for the specific purposes determined by a formal action of the Municipality's highest level of decision-making authority (i.e., the Board or Council).

Authority to Commit – Commitments will only be used for specific purposes pursuant to a formal action of the Board or Council. A majority vote is required to approve a commitment and a majority vote is required to remove a commitment.

Assigned fund balance

Definition – includes amounts intended to be used by the Municipality for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Authority to Assign – The Alpine Township Board delegates to the Supervisor or his/her/their designee the authority to assign amounts to be used for specific purposes.

Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned fund balance

Definition – includes the residual classification for the Municipality's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

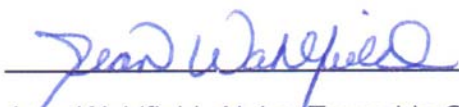
Operational guidelines. The following guidelines address the classification and use of fund balance in governmental funds:

Classifying fund balance amounts – Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The general fund may also include an unassigned amount.

Prioritization of fund balance use – When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Municipality to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Municipality that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Implementation and review. Upon adoption of this policy the Alpine Township Board of Trustees authorizes the Supervisor to establish any standards and procedures which may be necessary for its implementation. The Supervisor shall review this policy at least annually and make any recommendations for changes to the Alpine Township Board.

I, Jean Wahlfield, certify that the foregoing Policy #13-02 was adopted at a regular meeting of the Alpine Township Board held on Monday, May 20, 2013.


Jean Wahlfield, Alpine Township Clerk