

**FINANCIAL REPORT  
MELROSE TOWNSHIP  
March 31, 2017**

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August 29, 2017

Independent Auditors' Report

Township Board  
Melrose Township  
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, and each major fund of Melrose Township, Michigan, as of and for the year ended March 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

The financial statements do not include all the financial activities of the Melrose Township Fire Department, which should be included in order to conform with accounting principles generally accepted in the United States of America.

**Opinions**

In our opinion, except for the effects of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, and each major fund of Melrose Township as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Melrose Township's internal control over financial reporting and compliance.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

# MELROSE TOWNSHIP

Post Office Box 189  
WALLOON LAKE, MI 49796

## Management's Discussion and Analysis

As management of Melrose Township, of Walloon Lake, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2017.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$2,646,212 (net position). Of this amount, \$445,522 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net position increased by \$6,140.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,394,913, a decrease of \$102,469 over the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$436,452 or 131 percent of total General Fund expenditures.

### Overview of the Financial Statements

Melrose Township's basic financial statements include government-wide statements, fund financial statements and notes to the financial statements. This report also contains required budgetary comparison schedules in addition to the basic financial statements.

### Government-wide Financial Statements

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

The Statement of Net Position displays all of the Township's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. All long-term assets and debt obligations are presented.

The Statement of Activities focuses on the gross and net cost of the various functions within the Township (general government, public safety, public works, etc.), which are supported by the Township's general revenues (property taxes, state shared revenues, etc.).

The government-wide financial statements include not only the Township itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Township is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

## Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds.

The focus of the governmental fund financial statements is on the sources and uses of funds during the current year. Fund financial statements are divided into governmental and proprietary funds statements.

The proprietary fund financial statements presents information as it would appear for a private-sector business.

The fiduciary fund is also presented; separate from the governmental funds, due to the fact that these assets do not represent assets of the Township. These assets are not presented as part of the government-wide financial statements.

Melrose Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for each of these funds.

## Notes to the Financial Statements

The notes provide additional information, which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-wide Financial Analysis

The table below summarizes the Township's net position as of March 31, 2017, with comparative data from March 31, 2015:

**Melrose Township  
Statement of Net Position  
March 31, 2017**

	Governmental Activities		Business-Type Activities		Total	
	2017	2015	2017	2015	2017	2015
<b>Assets</b>						
Current and other assets	\$ 1,442,274	\$ 1,187,529	\$ (141,501)	\$ (42,707)	\$ 1,300,773	\$ 1,144,822
Capital assets - net of accum. dep.	1,837,726	1,867,757	621,212	42,707	2,458,938	1,910,464
Total assets	<u>\$ 3,280,000</u>	<u>\$ 3,055,286</u>	<u>\$ 479,711</u>	<u>\$ -</u>	<u>\$ 3,759,711</u>	<u>\$ 3,055,286</u>
<b>Liabilities</b>						
Current liabilities	\$ 77,181	\$ 63,952	\$ 11,318	\$ -	\$ 88,499	\$ 63,952
Noncurrent liabilities	575,000	645,000	450,000	-	1,025,000	645,000
Total liabilities	<u>652,181</u>	<u>708,952</u>	<u>461,318</u>	<u>-</u>	<u>1,113,499</u>	<u>708,952</u>
<b>Net Position</b>						
Investment in capital assets net of related debt	1,237,726	1,240,464	163,212	42,707	1,400,938	1,283,171
Restricted	790,695	633,760	9,057	-	799,752	633,760
Unrestricted	599,398	472,110	(153,876)	(42,707)	445,522	429,403
Total net position	<u>2,627,819</u>	<u>2,346,334</u>	<u>18,393</u>	<u>-</u>	<u>2,646,212</u>	<u>2,346,334</u>
Total liabilities and net position	<u>\$ 3,280,000</u>	<u>\$ 3,055,286</u>	<u>\$ 479,711</u>	<u>\$ -</u>	<u>\$ 3,759,711</u>	<u>\$ 3,055,286</u>

## Government-wide Financial Analysis - Continued

At the end of the fiscal year, Melrose Township is able to report positive balances in all categories of net position. The first portion of the Township's net position is its investment in capital assets (land, buildings/building improvements, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items)); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets in providing services; consequently, these assets are not available for future spending.

The restricted portion of net position represent amounts limited for spending on debt service, roads and maintenance, fire operations, ambulance services and fire equipment purchases.

The remaining portion of net position – unrestricted net position – may be used at the Township's discretion to meet ongoing obligations.

The results for the Township as a whole are reported in the Statement of Activities for the year ended March 31, 2017, with comparative data for March 31, 2015 as summarized below:

<b>Melrose Township Statement of Activities Year Ended March 31, 2017</b>						
	Governmental Activities		Business-Type Activities		Totals	
	2017	2015	2017	2015	2017	2015
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 58,592	\$ 58,681	\$ 24,463	\$ -	\$ 83,055	\$ 58,681
Operating grants and contributions	4,000	4,000	-	-	4,000	4,000
Capital grants and contributions	2,000	2,000	-	-	2,000	2,000
General revenue:						
Property taxes	706,098	622,473	-	-	706,098	622,473
State shared revenues	115,494	111,745	-	-	115,494	111,745
Interest and rentals	3,115	2,234	-	-	3,115	2,234
Other	6,054	2,210	-	-	6,054	2,210
<b>Total revenues</b>	<b>895,353</b>	<b>803,343</b>	<b>24,463</b>	<b>-</b>	<b>919,816</b>	<b>803,343</b>
<b>Function/Program Expenses</b>						
General government	158,085	144,655	-	-	158,085	144,655
Public safety	140,742	116,746	-	-	140,742	116,746
Public works	466,927	288,234	5,870	-	472,797	288,234
Health and welfare	10,811	13,293	-	-	10,811	13,293
Community & econ. develop.	34,680	34,613	-	-	34,680	34,613
Recreation and culture	45,119	34,415	-	-	45,119	34,415
Other	25,992	25,788	-	-	25,992	25,788
Interest expense	25,450	27,413	-	-	25,450	27,413
<b>Total expenses</b>	<b>907,806</b>	<b>685,157</b>	<b>5,870</b>	<b>-</b>	<b>913,676</b>	<b>685,157</b>
<b>Change in net position</b>	<b>(12,453)</b>	<b>118,186</b>	<b>18,593</b>	<b>-</b>	<b>6,140</b>	<b>118,186</b>
<b>Net position-beginning of year</b>	<b>2,640,272</b>	<b>2,228,148</b>	<b>(200)</b>	<b>-</b>	<b>2,640,072</b>	<b>2,228,148</b>
<b>Net position-end of year</b>	<b>\$ 2,627,819</b>	<b>\$ 2,346,334</b>	<b>\$ 18,393</b>	<b>\$ -</b>	<b>\$ 2,646,212</b>	<b>\$ 2,346,334</b>

## Governmental Activities Financial Analysis

As reported above, the Township recorded \$907,806 of expenses. The Township's governmental activities were funded primarily with property tax revenues. Refuse collection fees, and State shared revenues are other notable sources.

The Township experienced a decrease in net position of \$12,453.

## **Business-Type Activity Financial Analysis**

As of year-end, the Township's business-type activity reported total net position of \$18,393, which is \$18,393, more than the beginning of the year.

## **The Township's Funds**

As of year-end, the Township's governmental funds reported a combined fund balance of \$1,394,913 which is \$102,469 less than the beginning of the year. The Fire Sinking Fund's fund balance decreased \$46,461, the Fire Hall Debt Retirement Fund decreased by \$13,587. The 2010 Road Fund had a decrease of \$ 47,620 the Secondary Road Fund had a decrease of \$79,399. The General Fund's fund balance increased by \$49,780. All funds did have positive fund balances at year-end.

## **General Fund Budgetary Highlights**

Final actual resources were \$75,311 more than final budgeted amounts.

Final actual expenditures were \$24,411 less than final budgeted amounts.

## **Capital Assets and Debt Administration**

At March 31 2017, the Township had \$2,458,938 invested in capital assets, net of depreciation.

At March 31 2017, the Township had \$1,058,000 in outstanding long-term debt.

## **Economic Factors**

As reported above, general property tax revenues were \$706,098 and represented 77 % of total revenue. The taxable property value supporting this revenue is expected to remain stable or increase slightly in the foreseeable future. The village area of Walloon Lake continues to improve with redevelopment projects approaching completion.

State shared revenue (revenue sharing) of \$ 115,494 represents the Township's second largest source of revenue and represents 13% of total revenue. Personal property tax represents a minor source of Township revenue and any reductions resulting from State legislative actions would have no significant adverse effect on the Township.

As part of a multi-year effort, capital improvements to the Township hall/ fire hall, transfer station, and park continue to represent significant expenditures. Budgeted improvements for the fiscal year ending March 31, 2018 are \$100,000. These projects are funded by our current excess of general operating revenues over expenditures. This includes technology investments in equipment and software.

The Township has purchased a privately owned sewer system. This service is funded through user fees. The Township is working with the DNR to obtain land for future expansion of the sewer system.

## **Requests for Information**

The Township's financial statements are designed to present users with a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Township Clerk, Melrose Township P.O. Box 189 Walloon Lake, Michigan 49796.



**MELROSE TOWNSHIP**  
**Statement of Net Position**  
**March 31, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Cash	\$ 1,234,876	\$ 9,563	\$ 1,244,439	\$ 266,772
Accounts receivable	-	7,645	7,645	-
Prepaid expenses	5,805	-	5,805	-
Due from other governments	31,920	-	31,920	-
Due from fiduciary funds	1,907	-	1,907	-
	<u>1,274,508</u>	<u>17,208</u>	<u>1,291,716</u>	<u>266,772</u>
<b>Noncurrent Assets</b>				
Cash restricted for debt service/covenants	-	9,057	9,057	-
Internal balances	167,766	(167,766)	-	-
Land	494,566	37,375	531,941	-
Construction in progress	100,000	459,864	559,864	532,748
Depreciable capital assets	2,444,408	125,808	2,570,216	47,379
Less: accumulated depreciation	(1,201,248)	(1,835)	(1,203,083)	(5,725)
	<u>2,005,492</u>	<u>462,503</u>	<u>2,467,995</u>	<u>574,402</u>
Total assets	<u>\$ 3,280,000</u>	<u>\$ 479,711</u>	<u>\$ 3,759,711</u>	<u>\$ 841,174</u>
<b><u>Liabilities and Net Position</u></b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 20,711	\$ 3,318	\$ 24,029	\$ 30,741
Accrued expenses	20,845	-	20,845	-
Accrued interest	10,625	-	10,625	5,140
Noncurrent liabilities, due within one year	25,000	8,000	33,000	30,000
	<u>77,181</u>	<u>11,318</u>	<u>88,499</u>	<u>65,881</u>
<b>Noncurrent Liabilities</b>				
Noncurrent liabilities, net	575,000	450,000	1,025,000	520,000
	<u>652,181</u>	<u>461,318</u>	<u>1,113,499</u>	<u>585,881</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	1,237,726	163,212	1,400,938	19,262
Restricted for:				
Debt service/ covenants	-	9,057	9,057	-
Roads	383,123	-	383,123	-
Fire operations	86,970	-	86,970	-
Ambulance services	34,638	-	34,638	-
Fire sinking	220,256	-	220,256	-
Debt retirement	65,708	-	65,708	-
Unrestricted	599,398	(153,876)	445,522	236,031
	<u>2,627,819</u>	<u>18,393</u>	<u>2,646,212</u>	<u>255,293</u>
Total liabilities and net position	<u>\$ 3,280,000</u>	<u>\$ 479,711</u>	<u>\$ 3,759,711</u>	<u>\$ 841,174</u>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended March 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Downtown Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government								
Governmental activities:								
General government	\$ 158,085	\$ 3,773	\$ -	\$ -	\$ (154,312)	\$ -	\$ (154,312)	\$ -
Public safety	140,742	-	4,000	2,000	(134,742)	-	(134,742)	-
Public works	466,927	47,894	-	-	(419,033)	-	(419,033)	-
Health and welfare	10,811	-	-	-	(10,811)	-	(10,811)	-
Community and econ. development	34,680	4,035	-	-	(30,645)	-	(30,645)	-
Recreation and cultural	45,119	2,890	-	-	(42,229)	-	(42,229)	-
Other	25,992	-	-	-	(25,992)	-	(25,992)	-
Interest on long-term debt	25,450	-	-	-	(25,450)	-	(25,450)	-
Total governmental activities	<u>907,806</u>	<u>58,592</u>	<u>4,000</u>	<u>2,000</u>	<u>(843,214)</u>	<u>-</u>	<u>(843,214)</u>	<u>-</u>
Business-type activities:								
Sewer	5,870	24,463	-	-	-	18,593	18,593	-
Total primary government	<u>\$ 913,676</u>	<u>\$ 83,055</u>	<u>\$ 4,000</u>	<u>\$ 2,000</u>	<u>(843,214)</u>	<u>18,593</u>	<u>(824,621)</u>	<u>-</u>
Component Unit								
Downtown Development Authority								
General government	<u>\$ 6,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,603)</u>
General revenues:								
Property taxes					706,098	-	706,098	79,501
State shared revenues					115,494	-	115,494	-
Interest and rentals					3,115	-	3,115	61
Other					6,054	-	6,054	-
Total general revenues					<u>830,761</u>	<u>-</u>	<u>830,761</u>	<u>79,562</u>
<b>Change in net position</b>					<u>(12,453)</u>	<u>18,593</u>	<u>6,140</u>	<u>72,959</u>
<b>Net position - beginning of year</b>					<u>2,640,272</u>	<u>(200)</u>	<u>2,640,072</u>	<u>182,334</u>
<b>Net position - end of year</b>					<u>\$ 2,627,819</u>	<u>\$ 18,393</u>	<u>\$ 2,646,212</u>	<u>\$ 255,293</u>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP  
Balance Sheet  
Governmental Funds  
March 31, 2017**

<u>Assets</u>	General	2010 Road	Secondary Road	Fire Operating	Ambulance	Fire Sinking	Fire Hall Debt Retirement	Total Governmental Funds
Cash	\$ 432,198	\$ 238,501	\$ 144,622	\$ 98,953	\$ 34,638	\$ 220,256	\$ 65,708	\$ 1,234,876
Due from other governments	31,920	-	-	-	-	-	-	31,920
Due from other funds	3,316	-	-	-	-	-	-	3,316
Advance to Sewer Fund	167,766	-	-	-	-	-	-	167,766
<b>Total assets</b>	<b>\$ 635,200</b>	<b>\$ 238,501</b>	<b>\$ 144,622</b>	<b>\$ 98,953</b>	<b>34,638</b>	<b>\$ 220,256</b>	<b>\$ 65,708</b>	<b>\$ 1,437,878</b>
 <b><u>Liabilities and Fund Balances</u></b>								
<b>Liabilities</b>								
Accounts payable	\$ 18,440	\$ -	\$ -	\$ 2,271	\$ -	\$ -	\$ -	\$ 20,711
Accrued expenditures	12,542	-	-	8,303	-	-	-	20,845
Due to other funds	-	-	-	1,409	-	-	-	1,409
<b>Total liabilities</b>	<b>30,982</b>	<b>-</b>	<b>-</b>	<b>11,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,965</b>
<b>Fund balances</b>								
Nonspendable-interfund advance	167,766	-	-	-	-	-	-	167,766
Restricted	-	238,501	144,622	86,970	34,638	220,256	65,708	790,695
Unassigned	436,452	-	-	-	-	-	-	436,452
<b>Total fund balances</b>	<b>604,218</b>	<b>238,501</b>	<b>144,622</b>	<b>86,970</b>	<b>34,638</b>	<b>220,256</b>	<b>65,708</b>	<b>1,394,913</b>
<b>Total liabilities and fund balances</b>	<b>\$ 635,200</b>	<b>\$ 238,501</b>	<b>\$ 144,622</b>	<b>\$ 98,953</b>	<b>\$ 34,638</b>	<b>\$ 220,256</b>	<b>\$ 65,708</b>	<b>\$ 1,437,878</b>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Reconciliation of Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**March 31, 2017**

<b>Total Fund Balance - Governmental Funds</b>	\$ 1,394,913
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,837,726
Prepaid insurance costs are not available for current-period expenditures and therefore are not reported in the governmental funds.	5,805
Governmental funds report interest when due, whereas in the statement of net assets, interest is accrued on outstanding bonds.	(10,625)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(600,000)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 2,627,819</u>

The accompanying notes are an integral part of the financial statements.

**MELROSE TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended March 31, 2017**

	General	2010 Road	Secondary Road	Fire Operating	Ambulance	Fire Sinking	Fire Hall Debt Retirement	Total Governmental Funds
<b>Revenues</b>								
Taxes	\$ 201,009	\$ 136,937	\$ 138,532	\$ 68,458	\$ 34,632	\$ 68,458	\$ 58,072	\$ 706,098
State grants	115,494	-	-	-	-	-	-	115,494
Contributions from local units	-	-	-	4,000	-	-	-	4,000
Charges for services	58,592	-	-	-	-	-	-	58,592
Interest and rentals	2,494	179	126	53	6	226	31	3,115
Other	6,054	-	-	2,000	-	-	-	8,054
<b>Total revenues</b>	<u>383,643</u>	<u>137,116</u>	<u>138,658</u>	<u>74,511</u>	<u>34,638</u>	<u>68,684</u>	<u>58,103</u>	<u>895,353</u>
<b>Expenditures</b>								
Current:								
General government	144,799	-	-	-	-	-	-	144,799
Public safety	-	-	-	74,331	-	-	-	74,331
Public works	64,134	184,736	218,057	-	-	-	-	466,927
Health and welfare	10,811	-	-	-	-	-	-	10,811
Community and econ. development	34,680	-	-	-	-	-	-	34,680
Recreation and cultural	20,235	-	-	-	-	-	-	20,235
Other	25,846	-	-	-	-	146	-	25,992
Capital outlay	33,358	-	-	-	-	114,999	-	148,357
Debt service	-	-	-	-	-	-	71,690	71,690
<b>Total expenditures</b>	<u>333,863</u>	<u>184,736</u>	<u>218,057</u>	<u>74,331</u>	<u>-</u>	<u>115,145</u>	<u>71,690</u>	<u>997,822</u>
Excess of revenues over(under) expenditures	<u>49,780</u>	<u>(47,620)</u>	<u>(79,399)</u>	<u>180</u>	<u>34,638</u>	<u>(46,461)</u>	<u>(13,587)</u>	<u>(102,469)</u>
<b>Net change in fund balances</b>	49,780	(47,620)	(79,399)	180	34,638	(46,461)	(13,587)	(102,469)
<b>Fund balances - beginning of year</b>	<u>554,438</u>	<u>286,121</u>	<u>224,021</u>	<u>86,790</u>	<u>-</u>	<u>266,717</u>	<u>79,295</u>	<u>1,497,382</u>
<b>Fund balances - end of year</b>	<u>\$ 604,218</u>	<u>\$ 238,501</u>	<u>\$ 144,622</u>	<u>\$ 86,970</u>	<u>\$ 34,638</u>	<u>\$ 220,256</u>	<u>\$ 65,708</u>	<u>\$ 1,394,913</u>

The accompanying notes are an integral part of the financial statements.

**MELROSE 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 March 31, 2017**

**Net Change in Fund Balances - Total Governmental Funds** \$ (102,469)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation.

Expenditures for capital assets	148,357
Current year depreciation	(104,581)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayments reduce the long-term liabilities in the statement of net assets:

Principal payments	45,000
--------------------	--------

Interest on long-term debt is recognized as an expenditure when it is due in the governmental funds. However, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.

	1,240
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**Change in Net Position of Governmental Activities** **\$ (12,453)**

The accompanying notes are an integral part of the financial statements.

MELROSE TOWNSHIP  
Statement of Net Position  
Proprietary Fund  
March 31, 2017

	Sewer
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 9,563
Accounts receivable	7,645
	17,208
Total current assets	17,208
<b>Noncurrent Assets</b>	
Cash Restricted for debt service/ covenants	9,057
Land	37,375
Construction in progress	459,864
Other depreciable assets	125,808
Less: accumulated depreciation	(1,835)
	630,269
Total noncurrent assets	630,269
Total assets	\$ 647,477
<b><u>Liabilities and Net Position</u></b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 3,318
Interest payable	-
Bonds payable, due within one year	8,000
	11,318
Total current liabilities	11,318
<b>Noncurrent Liabilities</b>	
Advance from General Fund	167,766
Bonds payable, due in more than one year	450,000
	617,766
Total noncurrent liabilities	617,766
Total liabilities	629,084
<b>Net Position</b>	
Invested in capital assets, net of related debt	163,212
Restricted for debt service/ covenants	9,057
Unrestricted	(153,876)
	18,393
Total net position	18,393
Total liabilities and net position	\$ 647,477

The accompanying notes are an integral part of the financial statements.

**MELROSE TOWNSHIP**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended March 31, 2017**

	Sewer
<b>Operating revenues</b>	
Charges for services	\$ 13,463
Tap in fees	11,000
Total operating revenues	24,463
<b>Operating expenses</b>	
Other supplies and expenses	4,035
Depreciation	1,835
Total operating expenses	5,870
Operating income (loss)	18,593
<b>Nonoperating revenues (expenses)</b>	
Interest income	-
Interest expense	-
Income (loss) before contributions	18,593
<b>Change in net position</b>	18,593
<b>Total net position - beginning of year</b>	(200)
<b>Total net position - end of year</b>	\$ 18,393

The accompanying notes are an integral part of the financial statements.



**MELROSE TOWNSHIP**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended March 31, 2017**

	Sewer
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 16,818
Payments to suppliers	(4,035)
	12,783
Net cash provided (used) by operating activities	12,783
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(498,549)
Principal paid on bonds	-
Interest paid on bonds	-
Proceeds from issuance of debt	458,000
Interfund borrowing	46,386
	5,837
Net cash provided (used) for capital and related financing activities	5,837
<b>Cash flows from investing activities</b>	
Interest received on investments	-
	-
Net increase (decrease) in cash	18,620
<b>Cash, beginning</b>	-
<b>Cash, ending</b>	\$ 18,620
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 18,593
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,835
(Increase) decrease in accounts receivable	(7,645)
Increase (decrease) in accounts payable	-
	(5,810)
Total adjustments	(5,810)
Net cash provided (used) by operating activities	\$ 12,783

The accompanying notes are an integral part of the financial statements.

**MELROSE TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**March 31, 2017**

		<u>Agency Tax Fund</u>
	<b><u>Assets</u></b>	
Cash		\$ 3,277
		<hr style="border-top: 3px double black;"/>
	<b><u>Liabilities</u></b>	
Due to other funds		\$ 1,907
Due to County		935
Due to Schools		435
		<hr style="border-top: 3px double black;"/>
Total liabilities		\$ 3,277
		<hr style="border-top: 3px double black;"/>

The accompanying notes are an integral part of the financial statements.

**MELROSE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law: public safety (fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Pronouncements of the FASB issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary funds in accordance with GASB Statement No. 20. The following is a summary of the significant policies used by the Township of Melrose:

**REPORTING ENTITY**

Criteria for determining if other entities are potential component units which should be reported within the Township's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Township is financially accountable and other organizations that the nature and significance of their relationship with the Township are such that exclusion would cause the Township's basic financial statements to be misleading or incomplete.

**Discretely Presented Component Unit**

Downtown Development Authority – The Downtown Development Authority, which was established pursuant to the provisions of Public Act 197 of 1975, as amended, is governed by a board appointed by the Township Board. The Authority may issue debt subject to limitations set forth in the Act, but may not expend any monies without prior approval of the Township Board. Separate financial statements for the Downtown Development Authority are not issued.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

The Melrose Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and the fund financial statements categorize primary government activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The primary government is reported separately from legally separate component units for which the primary government is financially accountable.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED*

#### **BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule the effect of interfund activity, such as overhead costs, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Township as an entity and the change in the Township's net position resulting from the current year's activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activity are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Township's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with the 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 as general revenue.

#### **BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds in the governmental or business type categories. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds) for the determination of major funds. The Township has elected to report all funds as major funds.

#### **Governmental Funds**

The following is a description of the major governmental funds of the Township:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED*

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS – CONTINUED

##### Governmental Funds – Continued

**2010 Road Fund** – The 2010 Road Fund accounts for taxes levied for the purpose of local and county road construction and maintenance.

**Secondary Road Fund** – The Secondary Road Fund accounts for taxes levied for the purpose of road construction, repair and maintenance on all secondary roads.

**Fire Operating Fund** – The Fire Operating Fund accounts for taxes levied and amounts received from other governmental units used for fire department operations.

**Ambulance Fund** - The Ambulance Fund accounts for taxes levied for the purpose of providing ambulance services to the community.

**Fire Sinking Fund** – The Fire Sinking Fund accounts for taxes levied for the purpose of acquiring fire equipment for the fire department.

**Fire Hall Debt Retirement** – The Fire Hall Debt Retirement Fund accounts for taxes levied for the purpose of paying the interest and principal on the 2004 general obligation bonds.

##### Proprietary Fund

The focus of the proprietary fund is upon the determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to for-profit businesses. The following is a description of the major proprietary fund of the Township:

**Sewer Fund**-The Sewer Fund is an Enterprise Fund. The fund will be financed and will operate in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing sewer service to the general public will be recovered through user charges.

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 operation. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for these 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.

##### Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township in a trustee or agent capacity. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Agency funds use the accrual basis of accounting, however report only assets and liabilities.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS - CONTINUED

##### Fiduciary Fund -Continued

**Agency Fund** – The Agency Fund accounts for the collection and payment of property tax levies.

##### **BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

All proprietary funds and agency funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

##### **ASSETS, LIABILITIES, AND FUND BALANCES**

##### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

##### Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from other funds" on the balance sheet of the fund financial statements and as "internal balances" on the Statement of Net Position of the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### ASSETS, LIABILITIES, AND FUND BALANCES – CONTINUED

##### Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded by the Township when the initial individual costs are greater than \$3,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	40 years
Infrastructure improvements	20 years
Sewer system	40 years
Equipment	7 to 10 years
Vehicles	10 years

##### Interest Capitalization

Interest costs are capitalized as part of the historical cost of acquiring certain assets. To qualify for interest capitalization, assets must require a period of time before they are ready for their intended purpose. Total interest cost incurred for the year ended March 31, 2017 was \$39,946, for both the Primary Government of the Township and its Component Unit the DDA. Interest capitalized was \$2,017 for the Primary Government and \$11,239 for the DDA.

##### Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

##### Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### **ASSETS, LIABILITIES, AND FUND BALANCES - CONTINUED**

##### **Fund Balances - continued**

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Township Board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* This classification reflects the amounts constrained by the Township’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Township Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Funds, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all Governmental funds of the Township except for the agency funds. Budgetary control is legally maintained at the fund level.

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

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. A public hearing is conducted at Township Hall to obtain taxpayer comments.
3. Prior to April 1, the fund budgets are legally enacted through passage of resolutions.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.



## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### **NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY -CONTINUED**

5. Budgeted amounts are as originally adopted, or as amended by the Township Board.
6. All appropriations lapse at year-end.

### **NOTE 3: CASH AND INVESTMENTS**

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

The Township's deposits and investment policy are in accordance with statutory authority.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At March 31, 2017, the carrying amount of the Township's deposits for the governmental activities, component unit, and the fiduciary fund was \$1,523,545 and the bank balance was \$1,584,690. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining \$1,084,690 was uninsured and uncollateralized. The Township may experience significant fluctuations in deposit balances through the year.

### **NOTE 4: PROPERTY TAXES**

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the Township. The Township bills and collects its own property taxes and also collects taxes for other governmental units. Collection of other governmental unit's taxes and remittance of them to the units are accounted for in the Agency Fund. Property taxes are recognized as revenue in the year in which they are levied.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, up to \$1 per \$1,000 of taxable valuation for county road maintenance, repair and construction, up to \$1 per \$1,000 of taxable valuation for both general governmental services and road maintenance, repair and construction, \$.5 per \$1,000 for both fire operations and equipment and \$.25 per \$1,000 for ambulance services. Additionally, the Township is authorized to levy the amount necessary for the payment of principal and interest on general obligation long-term debt. The 2016 State taxable valuation of Melrose Township totaled \$144,609,996.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4: PROPERTY TAXES - CONTINUED**

The tax rate for the year ended March 31, 2017, was as follows:

<u>Purpose</u>	<u>Rate/Taxable Valuation</u>	
General governmental services	0.9634%	per \$1,000
2010 Road	0.9885%	per \$1,000
Secondary Roads	1.0000%	per \$1,000
Fire operations	0.4942%	per \$1,000
Ambulance operations	0.2500%	per \$1,000
Fire equipment	0.4942%	per \$1,000
Debt	0.4000%	per \$1,000

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

The interfund balances within the primary government are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 171,082	\$ -
Fire Operations Fund	-	1,409
Sewer Fund	-	167,766
Fiduciary(Tax) Fund	-	1,907
	<u>\$ 171,082</u>	<u>\$ 171,082</u>

In March of 2017 the General Fund transferred \$167,766 to the Sewer Fund for construction work on the Sewer System. The Sewer Fund is to repay the \$167, 766 back to the General Fund with the tap in fees that it collects when it hooks up new customers.

The Fire Operations Fund interfund balances consist of amounts for, supplies paid by the General Fund. The interfund balance between the General and Tax Fund is for working capital.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 6: CAPITAL ASSETS**

Capital asset activity of the Township's primary government for the current year was as follows:

	<u>Balance April 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>March 31, 2017</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 490,418	\$ 4,148	\$ -	\$ 494,566
Construction in progress	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Subtotal	<u>490,418</u>	<u>104,148</u>	<u>-</u>	<u>594,566</u>
Capital assets being depreciated:				
Fire and Township Hall	1,017,163	-	-	1,017,163
Beach, park and launch ramp improv.	463,032	29,210	-	492,242
Equipment	147,627	14,999	-	162,626
Vehicles	<u>772,377</u>	<u>-</u>	<u>-</u>	<u>772,377</u>
Subtotal	<u>2,400,199</u>	<u>44,209</u>	<u>-</u>	<u>2,444,408</u>
Accumulated Depreciation:				
Fire and Township Hall	273,362	25,430	-	298,792
Beach, park and launch ramp improv.	158,803	23,723	-	182,526
Equipment	112,787	6,788	-	119,575
Vehicles	<u>551,715</u>	<u>48,640</u>	<u>-</u>	<u>600,355</u>
Subtotal	<u>1,096,667</u>	<u>104,581</u>	<u>-</u>	<u>1,201,248</u>
Net capital assets being depreciated:	<u>1,303,532</u>	<u>(60,372)</u>	<u>-</u>	<u>1,243,160</u>
Net capital assets	<u>\$ 1,793,950</u>	<u>\$ 43,776</u>	<u>\$ -</u>	<u>\$ 1,837,726</u>

Depreciation expense was charged to the primary government as follows:

**Governmental Activities**

General government	\$ 13,286
Public safety	66,411
Recreation and culture	<u>24,884</u>
Total depreciation expense-governmental activities	<u><u>\$ 104,581</u></u>

Construction in progress consists of the purchase of a fire truck chassis. The total cost of the truck is estimated at \$254,044. A commitment in the amount of \$154,404 has been made to complete the manufacture. No financing will be needed to complete the build.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6: CAPITAL ASSETS – CONTINUED

	Balance April 1, 2016	Additions	Deletions	March 31, 2017
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ -	\$ 37,375	\$ -	\$ 37,375
Construction in progress	42,707	417,157	-	459,864
Subtotal	42,707	454,532	-	497,239
Capital assets being depreciated:				
Equipment	-	125,808	-	125,808
Accumulated Depreciation:				
Equipment	-	(1,835)	-	(1,835)
Net capital assets being depreciated:	-	123,973	-	123,973
Net capital assets	\$ 42,707	\$578,505	-	\$621,212

At year-end, all construction in progress amounts are capitalized.

Construction in progress represents engineering, construction, and legal fees related to the sewer system.

A loan from the USDA in the amount of \$540,000 at 1.875% for 40 years, has been obtained to help fund this project. The proposed project has a total cost of \$688,000 with a \$148,000 applicant contribution which will eventually be paid from tap fees.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 6: CAPITAL ASSETS - CONTINUED**

<b>Component Unit</b>	<u>Balance April 1,</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31,</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 532,748	\$ -	\$ 532,748
Capital assets being depreciated:				
Infrastructure	47,379	-	-	47,379
Accumulated Depreciation:				
Infrastructure	<u>(3,356)</u>	<u>(2,369)</u>	<u>-</u>	<u>(5,725)</u>
Net capital assets being depreciated:	<u>44,023</u>	<u>(2,369)</u>	<u>-</u>	<u>41,654</u>
Net capital assets	<u>\$ 44,023</u>	<u>\$ 530,379</u>	<u>\$ -</u>	<u>\$ 574,402</u>

Construction in progress represents work on a streetscape project within the Township.

A \$550,000 bond was obtained to fund this project. The proposed project has a total estimated cost of \$550,000.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7: LONG-TERM DEBT**

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
Bonds and notes payable:					
General obligation debt					
2004 Series	<u>\$ 645,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 600,000</u>	<u>\$ 25,000</u>

Long-term liabilities payable at March 31, 2017 is composed of the following individual issues:

\$995,000, 2004 USDA General Obligation bonds due in annual installments of \$20,000 to \$55,000 through May 1, 2032; interest at 4.25%.	\$ 600,000
Less current portion	<u>25,000</u>
Long-term debt, net of current portion	<u>\$ 575,000</u>

The annual debt service requirements to maturity for the bonds outstanding as of March 31, 2017, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 25,000	\$ 23,800	\$ 48,800
2019	30,000	22,525	52,525
2020	30,000	21,250	51,250
2021	30,000	19,869	49,869
2022	35,000	18,382	53,382
2023-2027	190,000	76,076	266,076
2028-2031	245,000	30,284	275,284
2032	<u>15,000</u>	<u>319</u>	<u>15,319</u>
Total	<u>\$ 600,000</u>	<u>\$ 212,505</u>	<u>\$ 812,505</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7: LONG-TERM DEBT- CONTINUED**

<b>Business- Type Activity</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds and notes payable:					
Revenue bonds					
2016 Series	\$ -	\$ 458,000	\$ -	\$ 458,000	\$ 8,000

Long-term liabilities payable at March 31, 2017 is composed of the following individual issues:

Business-Type Activity:

\$540,000, 2016 USDA General Obligation bonds due in annual installments of \$8,000 to \$21,000 through September 1, 2056; interest at 1.875%.	\$ 458,000
Less current portion	<u>8,000</u>
Long-term debt, net of current portion	<u>\$ 450,000</u>

The annual debt service requirements to maturity for the bonds outstanding as of March 31, 2017, are as follows, based on the total bonds authorized. \$458,000 has been received at year-end with the balance received subsequent:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,000	\$ 10,050	\$ 18,050
2019	9,000	9,891	18,891
2020	9,000	9,722	18,722
2021	9,000	9,553	18,553
2022	9,000	9,384	18,384
2023-2027	49,000	44,242	93,242
2028-2031	56,000	39,319	95,319
2032-2036	62,000	33,807	95,807
2037-2042	69,000	27,648	96,648
2043-2048	77,000	20,821	97,821
Thereafter	<u>183,000</u>	<u>17,745</u>	<u>200,745</u>
Total	<u>\$ 540,000</u>	<u>\$ 232,182</u>	<u>\$ 772,182</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7: LONG-TERM DEBT- CONTINUED**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>DISCRETELY PRESENTED</b>					
<b>Component Unit</b>					
Bonds and notes payable:					
Limited Tax General Obligation	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 30,000</u>

Long-term liabilities payable at March 31, 2017 is composed of the following individual issues:

Component Unit:

\$550,000, 2016 Limited Tax General Obligation bonds due in annual installments of \$30,000 to \$45,000 through May 1, 2032; interest at 1.10%- 3.150%.	\$ 550,000
Less current portion	<u>30,000</u>
Long-term debt, net of current portion	<u>\$ 520,000</u>

The annual debt service requirements to maturity for the bonds outstanding as of March 31, 2017, are as follows:

<u>Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,000	\$ 12,266	\$ 42,266
2019	30,000	12,005	42,005
2020	35,000	11,615	46,615
2021	35,000	11,125	46,125
2022	35,000	10,600	45,600
2023-2027	175,000	43,148	218,148
2028-2031	<u>210,000</u>	<u>19,477</u>	<u>229,477</u>
Total	<u>\$ 550,000</u>	<u>\$ 120,236</u>	<u>\$ 670,236</u>



NOTES TO FINANCIAL STATEMENTS - CONTINUED

**NOTE 8: RESTRICTED CASH**

The Sewer Fund maintains restricted cash accounts in accordance with the Sewage Disposal System Revenue Bond ordinances as follows:

	<u>March 31, 2017</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
Bond and Interest Redemption Account		
This account is used to accumulate cash to be used solely for payment of the next interest and principal payments due on the bonds.	\$ 6,532	\$ 6,532
Bond Reserve Account		
This account is used to accumulate cash to be used solely for payment of principal and interest on the bonds as to which would otherwise be in default. An amount of \$525 per quarter is to be set aside until there is \$21,000 in the account.	1,050	1,050
Repair, Replacement and Improvement Account		
This account is used to accumulate cash to be used for sewage system repairs, replacements, improvements and when necessary to make payments of principal and interest on the bonds. An amount of \$1,238 per quarter is to be deposited into this account, less the amounts, if any, deposited in the Bond Reserve Account for the same quarter.	<u>-</u>	<u>1,475</u>
	<u>\$ 7,582</u>	<u>\$ 9,057</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 9: FUND BALANCE CLASSIFICATIONS**

Amounts for specific purposes by fund and fund balance classifications for the year ended March 31, 2017, are as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General fund	Interfund advance	\$ 167,766
Restricted		
Road Fund	Roads	383,123
Fire Operations	Public Safety	86,970
Ambulance Fund	Public Safety	34,638
Fire Sinking Fund	Fire Equipment	220,256
Debt Retirement	Debt	65,708
Unassigned		
General Fund		436,452
		\$ 1,394,913

**NOTE 10: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which it obtains coverage from commercial insurance companies. The Township has had no settled claims resulting from these risks that have exceeded their commercial coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**MELROSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>		
<b>Beginning of year fund balance</b>	\$ 456,961	\$ 478,520	\$ 554,438	\$ 75,918
<b>Resources (inflows)</b>				
Property taxes	205,665	198,600	201,009	2,409
State grants	105,000	108,500	115,494	6,994
Charges for services	70,500	55,200	58,592	3,392
Interest and rentals	2,350	2,450	2,494	44
Other	1,000	19,500	6,054	(13,446)
	<u>841,476</u>	<u>862,770</u>	<u>938,081</u>	<u>75,311</u>
Amounts available for appropriation				
<b>Charges to appropriations (outflows)</b>				
Current:				
General government				
Board	23,992	23,000	16,975	(6,025)
Supervisor	16,500	16,500	16,200	(300)
Clerk	33,200	21,200	20,913	(287)
Information technology	6,020	6,620	6,020	(600)
Board of review	1,150	1,150	833	(317)
Treasurer	20,700	21,000	20,617	(383)
Assessor	25,000	25,000	24,382	(618)
Elections	5,250	5,000	4,435	(565)
Building and grounds	42,274	55,000	21,480	(33,520)
Township property	6,654	6,250	5,758	(492)
Legal	2,500	3,500	2,917	(583)
Cemetery	7,942	4,800	4,269	(531)
Public works				
Street lighting	10,000	11,000	10,730	(270)
Transfer station	67,763	61,500	53,404	(8,096)
Health and welfare				
Ambulance	25,000	11,000	10,811	(189)
Community and economic development				
Planning and zoning	35,600	34,900	34,680	(220)
Recreation and cultural				
Parks	45,317	22,779	20,235	(2,544)
Other	27,075	28,075	25,846	(2,229)
Capital Outlay	-	-	33,358	33,358
	<u>401,937</u>	<u>358,274</u>	<u>333,863</u>	<u>(24,411)</u>
Total charges to appropriations				
<b>Ending budgetary fund balance</b>	<u>\$ 439,539</u>	<u>\$ 504,496</u>	<u>\$ 604,218</u>	<u>\$ 99,722</u>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**2010 Road Fund**  
**For the Year Ended March 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
<b>Beginning of year fund balance</b>	\$ 281,110	\$ 281,128	\$ 286,121	\$ 4,993
<b>Resources (inflows)</b>				
Taxes	136,390	141,600	136,937	(4,663)
Interest	35	150	179	29
	417,535	422,878	423,237	359
Amounts available for appropriation				
<b>Charges to appropriations (outflows)</b>				
Public works				
Road repair and maintenance	269,105	185,000	184,736	(264)
	269,105	185,000	184,736	(264)
<b>Ending budgetary fund balance</b>	\$ 148,430	\$ 237,878	\$ 238,501	\$ 623

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Secondary Road Fund**  
**For the Year Ended March 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning of year fund balance</b>	\$ 219,141	\$ 219,154	\$ 224,021	\$ 4,867
<b>Resources (inflows)</b>				
Taxes	139,173	143,200	138,532	(4,668)
Interest	35	100	126	26
	<u>358,349</u>	<u>362,454</u>	<u>362,679</u>	<u>225</u>
Amounts available for appropriation				
<b>Charges to appropriations (outflows)</b>				
Public works				
Road repair and maintenance	148,596	218,100	218,057	(43)
	<u>148,596</u>	<u>218,100</u>	<u>218,057</u>	<u>(43)</u>
<b>Ending budgetary fund balance</b>	<u>\$ 209,753</u>	<u>\$ 144,354</u>	<u>\$ 144,622</u>	<u>\$ 268</u>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Fire Operating Fund**  
**For the Year Ended March 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning of year fund balance</b>	\$ 93,070	\$ 93,401	\$ 86,790	\$ (6,611)
<b>Resources (inflows)</b>				
Taxes	68,195	71,000	68,458	(2,542)
Contributions from local units	4,000	4,000	4,000	-
Interest	15	50	53	3
Other	-	2,000	2,000	-
Amounts available for appropriation	<u>165,280</u>	<u>170,451</u>	<u>161,301</u>	<u>(9,150)</u>
<b>Charges to appropriations (outflows)</b>				
Public safety				
Fire	<u>75,142</u>	<u>75,100</u>	<u>74,331</u>	<u>(769)</u>
<b>Ending budgetary fund balance</b>	<u>\$ 90,138</u>	<u>\$ 95,351</u>	<u>\$ 86,970</u>	<u>\$ (8,381)</u>

The accompanying notes are an integral  
part of the financial statements.

**MELROSE TOWNSHIP**  
**Budgetary Comparison Schedule**  
**Ambulance Fund**  
**For the Year Ended March 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Beginning of year fund balance</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (inflows)</b>				
Taxes	33,528	34,400	34,632	232
Interest	-	-	6	6
	<u>33,528</u>	<u>34,400</u>	<u>34,638</u>	<u>238</u>
Amounts available for appropriation	33,528	34,400	34,638	238
<b>Charges to appropriations (outflows)</b>				
Public safety				
Contracted EMT services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Ending budgetary fund balance</b>	<u>\$ 33,528</u>	<u>\$ 34,400</u>	<u>\$ 34,638</u>	<u>\$ 238</u>

The accompanying notes are an integral  
part of the financial statements.



INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

August 29, 2017

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

To the Township Board  
Melrose Township  
Charlevoix County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, and each major fund of Melrose Township, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Melrose Township's basic financial statements, and have issued our report thereon dated August 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Melrose Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Melrose Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Melrose 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

**External Financial Reporting:** The Township does not have the expertise to prepare financial statements in accordance with generally accepted accounting principles. As a matter of convenience, the Township has relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. Further, the audit process is used as a means of accumulating data, performing reconciliations and making year-end adjustments. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs, in this regard, the Township is not unlike many other governments of its size and nature.

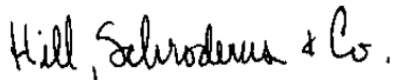
We did note that Township's management does prepare and monitor the annual budget. The accounting system which is designed primarily for budgetary purposes is also used as the source information in preparing the financial statements in accordance with generally accepted accounting principles with some adjustment, format differences and note disclosures.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Melrose Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

August 29, 2017

Communication with Those Charged with Governance

Township Board  
Melrose Township  
Charlevoix County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of Melrose Township for the year ended March 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* 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 February 6, 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 Melrose Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2017. We noted no transactions entered into by Melrose 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. The most sensitive estimate affecting the Melrose Township's financial statements was:

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

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

*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, both individually or in the aggregate, to the financial statements taken as a whole. The material misstatements detected as a result of audit procedures were to adjust the records from a cash basis to the modified accrual basis of accounting and some account reclassifications.

#### *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 August 29, 2017.

#### *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 Melrose 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 the Melrose 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 the Management's Discussion and Analysis and the Budgetary Comparison Schedules which are required supplementary information (RSI) that supplements 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.

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

Very truly yours,

*Hill, Schroderus & Co.*

Hill, Schroderus & Co., LLP