

TOWNSHIP OF MELROSE, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2019

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with the Statement of Activities	19
Proprietary Fund	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	23
Notes to the Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Secondary Road Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – 2010 Road Fund	43
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	46

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Melrose Township
Walloon Lake, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose, Michigan (the "Township") as of and for the year ended March 31, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
September 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Township of Melrose
Management's Discussion and Analysis
For the Year Ended March 31, 2019**

As management of the Township of Melrose, Michigan (The "Township" or "government") 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, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$3,363,843 (*net position*). Of this amount, \$698,614 represents *unrestricted net position*, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's general fund reported fund balance of \$690,539, an increase of \$74,688 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$569,642, or approximately 165.3% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., interest accrued on long-term debt and capital asset activity).

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

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, secondary road fund, 2010 road fund, and fire sinking fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The Township maintains one proprietary fund, which is classified as an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide financial information for the Township's sewer operation, which is considered to be major fund of the Township.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The *agency fund* reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$3,363,843 at the close of the most recent fiscal year. On the following page is a schedule, as of year-end, showing assets, liabilities, and net position for the Township for each of the past two audited year-ends:

Township of Melrose's Net Position

	Governmental Activities		Business-type Activity		Total	
	2019	2017	2019	2017	2019	2017
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 1,368,231	\$ 1,234,876	\$ 72,178	\$ 9,563	\$ 1,440,409	\$ 1,244,439
Accounts Receivable	-	-	25,285	7,645	25,285	7,645
Current Portion of Note Receivable	10,000	-	-	-	10,000	-
Prepaid Items	13,733	5,805	583	-	14,316	5,805
Due from Other Governments	73,435	31,920	-	-	73,435	31,920
Due from Fiduciary Funds	-	1,907	-	-	-	1,907
Total Current Assets	1,465,399	1,274,508	98,046	17,208	1,563,445	1,291,716
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	31,640	9,057	31,640	9,057
Note Receivable	20,000	-	-	-	20,000	-
Capital Assets not Being Depreciated	494,566	594,566	45,733	497,239	540,299	1,091,805
Capital Assets Being Depreciated, Net	1,650,346	1,243,160	668,548	123,973	2,318,894	1,367,133
Total Assets	3,630,311	3,112,234	843,967	647,477	4,474,278	3,759,711
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	20,451	20,711	2,408	3,318	22,859	24,029
Accrued Liabilities	24,177	20,845	-	-	24,177	20,845
Accrued Interest	9,582	10,625	817	-	10,399	10,625
Current Portion of Long-term Debt	30,000	25,000	9,000	8,000	39,000	33,000
Total Current Liabilities	84,210	77,181	12,225	11,318	96,435	88,499
<i>Noncurrent Liabilities</i>						
Long-term Debt	500,000	575,000	514,000	450,000	1,014,000	1,025,000
Internal Balances	(107,164)	(167,766)	107,164	167,766	-	-
Total Liabilities	477,046	484,415	633,389	629,084	1,110,435	1,113,499
NET POSITION						
Net Investment in Capital Assets	1,614,912	1,237,726	191,281	163,212	1,806,193	1,400,938
Restricted	827,396	790,695	31,640	9,057	859,036	799,752
Unrestricted	710,957	599,398	(12,343)	(153,876)	698,614	445,522
Total Net Position	\$ 3,153,265	\$ 2,627,819	\$ 210,578	\$ 18,393	\$ 3,363,843	\$ 2,646,212

The largest portion of the Township's net position (\$1,806,193, or 53.7%) reflects its investment in capital assets (e.g., land and improvements, buildings, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$859,036, or 25.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$698,614, or 20.8%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The cash and cash equivalents of the Township increased by \$195,070 compared to the last audited year, primarily due to the overall increase in net position of \$441,878 during the same timeframe. Capital assets increased by \$400,255 since the last audit as a result of the purchase of a new firetruck and sewer infrastructure additions.

Changes in Net Position

The Township's overall net position increased \$441,878 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Township of Melrose's Change in Net Position

	Governmental Activities		Business-type Activity		Total	
	2019	2017	2019	2017	2019	2017
Revenues						
Program Revenues						
Charges for Services	\$ 72,790	\$ 64,646	\$ 100,666	\$ 24,463	\$ 173,456	\$ 89,109
Operating Grants and Contributions	6,000	4,000	-	-	6,000	4,000
Capital Grants and Contributions	-	2,000	-	-	-	2,000
Total Program Revenues	78,790	70,646	100,666	24,463	179,456	95,109
General Revenues						
Property Taxes	761,421	706,098	-	-	761,421	706,098
State Revenue Sharing	123,511	115,494	-	-	123,511	115,494
Interest Income	1,613	3,115	792	-	2,405	3,115
Total General Revenues	886,545	824,707	792	-	887,337	824,707
Total Revenues	965,335	895,353	101,458	24,463	1,066,793	919,816
Expenses						
Legislative	24,133	25,992	-	-	24,133	25,992
General Government	168,132	158,085	-	-	168,132	158,085
Public Safety	157,736	140,742	-	-	157,736	140,742
Public Works	84,158	466,927	50,056	5,870	134,214	472,797
Health and Welfare	35,299	10,811	-	-	35,299	10,811
Community and Economic Development	37,760	34,680	-	-	37,760	34,680
Recreation and Culture	44,443	45,119	-	-	44,443	45,119
Interest on Long-term Debt	23,198	25,450	-	-	23,198	25,450
Total Expenses	574,859	907,806	50,056	5,870	624,915	913,676
Change in Net Position	390,476	(12,453)	51,402	18,593	441,878	6,140
<i>Net Position at Beginning of Period</i>	<i>2,762,789</i>	<i>2,640,272</i>	<i>159,176</i>	<i>(200)</i>	<i>2,921,965</i>	<i>2,640,072</i>
Net Position at End of Period	\$ 3,153,265	\$ 2,627,819	\$ 210,578	\$ 18,393	\$ 3,363,843	\$ 2,646,212

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$390,476 from the prior fiscal year for an ending balance of \$3,153,265.

The most significant change when compared to the past is that public works expenses decreased by \$382,769, primarily due to the majority of road expenses being capitalized. Property taxes also increased by \$55,323 when compared to the past as a result of the taxable valuation of the Township increasing to \$155,937,740.

Business-type Activities. The operations of the Township's business-type activities for the current fiscal year increased overall net position by \$51,402 for an ending balance of \$210,578. This is a result of charges for services increasing by \$76,203 through an increase in tap-in and system usage fees. In addition, expenses increased by \$44,186, with the most change attributable to depreciation expense of \$17,451 and interest expense of \$10,708.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$569,642. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total general fund expenditures. Unassigned fund balance represents approximately 165.3% of total general fund expenditures. Total fund balance represents approximately 200.4% of total general fund expenditures.

The fund balance of the Township's general fund increased by \$74,688 during the current fiscal year for an ending balance of \$690,539. Both revenue and expense activity was very similar in comparison to the past with only marginal increases in both property tax revenue and general government expenditures.

The secondary road fund, a major fund, had a decrease of \$26,375 in fund balance during the current fiscal year which put the overall fund balance at \$252,132. The decrease in fund balance is a result of increased capital outlay expenditures and a relatively small increase in property tax revenue.

The 2010 road fund, a major fund, had an increase of \$17,452 in fund balance during the current fiscal year which put the overall fund balance at \$185,819. The increase in fund balance is a result of decreased total expenditures and an increase in property tax revenue.

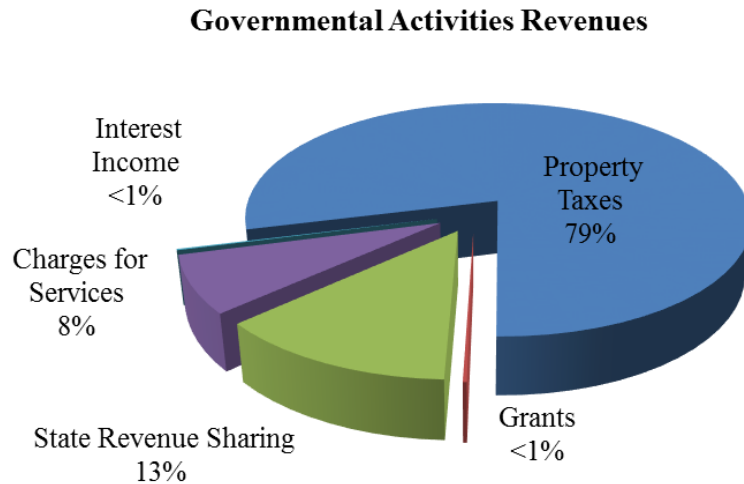
The fire sinking fund, a major fund, had an increase of \$36,715 in fund balance during the current fiscal year which put the overall fund balance at \$179,422. The increase in fund balance is a result of decreased capital outlay expenditures and an increase in property tax revenue.

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

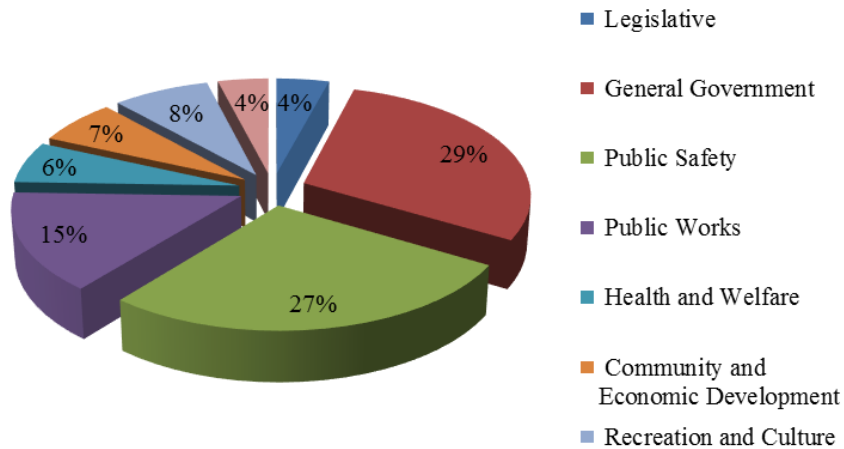
Unrestricted net position of the sewer fund at the end of the year was a deficit of \$(12,343). The increase in overall net position for the sewer fund was \$51,402. The reasons for the change net position is as described in the previous sections of this report.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year-end.



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year-end.



General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to alter either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. The Township had the following expenditure in excess of the amount appropriated during the year ended March 31, 2019:

<u>Fund / Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Parks	\$ 8,030	\$ 13,533	\$ (5,503)

Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2019 amounts to \$2,859,193 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment, vehicles, and sewer infrastructure. The total increase in capital assets for the current fiscal year was approximately 9.2% because of significant capital asset additions being greater than depreciation expense. More detailed information can be found in Note 5 to the financial statements.

Long-term Debt

As described in Note 6 to the financial statements, the Township had \$1,053,000 in long-term debt outstanding as of March 31, 2019 as a result of \$54,000 in principal payments.

Economic Condition and Outlook

Management estimates that \$413,718 of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2019 with the exception of an increase in budgeted capital outlay expenditures. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2020, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels.

Contacting the Township

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the Township Clerk, Melrose Township P.O. Box 189 Walloon Lake, Michigan 49796.

BASIC FINANCIAL STATEMENTS

Township of Melrose
Statement of Net Position
March 31, 2019

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,368,231	\$ 72,178	\$ 1,440,409	\$ 249,216
Accounts Receivable	--	25,285	25,285	--
Current Portion of Note Receivable	10,000	--	10,000	--
Prepaid Items	13,733	583	14,316	--
Due from Other Governments	73,435	--	73,435	--
Total Current Assets	1,465,399	98,046	1,563,445	249,216
<i>Noncurrent Assets</i>				
Restricted Cash	--	31,640	31,640	--
Note Receivable	20,000	--	20,000	--
Capital Assets not Being Depreciated	494,566	45,733	540,299	2,241
Capital Assets Being Depreciated, Net	1,650,346	668,548	2,318,894	566,526
Total Assets	3,630,311	843,967	4,474,278	817,983
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	20,451	2,408	22,859	275
Accrued Liabilities	24,177	--	24,177	--
Accrued Interest	9,582	817	10,399	4,840
Current Portion of Long-term Debt	30,000	9,000	39,000	35,000
Total Current Liabilities	84,210	12,225	96,435	40,115
<i>Noncurrent Liabilities</i>				
Long-term Debt	500,000	514,000	1,014,000	455,000
Internal Balances	(107,164)	107,164	--	--
Total Liabilities	477,046	633,389	1,110,435	495,115
NET POSITION				
Net Investment in Capital Assets	1,614,912	191,281	1,806,193	78,767
<i>Restricted for:</i>				
Debt Service	66,525	31,640	98,165	--
Roads	437,951	--	437,951	--
Fire Operations	106,965	--	106,965	--
Ambulance Services	36,533	--	36,533	--
Capital Projects	179,422	--	179,422	--
<i>Unrestricted</i>	710,957	(12,343)	698,614	244,101
Total Net Position	\$ 3,153,265	\$ 210,578	\$ 3,363,843	\$ 322,868

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Melrose
Statement of Activities
For the Year Ended March 31, 2019**

		Program Revenues			Net (Expense) Revenue			
			Operating	Capital Grants and	Primary Government			
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Contributions	Governmental Activities	Business-type Activities	Total	Component Unit - DDA
Primary Government								
Governmental Activities:								
General Government	\$ 168,132	\$ 6,327	\$ --	\$ --	\$ (161,805)	\$ --	\$ (161,805)	\$ --
Public Safety	157,736	--	6,000	--	(151,736)	--	(151,736)	--
Public Works	84,158	49,089	--	--	(35,069)	--	(35,069)	--
Health and Welfare	35,299	--	--	--	(35,299)	--	(35,299)	--
Community and Economic Development	37,760	14,113	--	--	(23,647)	--	(23,647)	--
Recreation and Culture	44,443	3,261	--	--	(41,182)	--	(41,182)	--
Legislative	24,133	--	--	--	(24,133)	--	(24,133)	--
Interest on Long-term Debt	23,198	--	--	--	(23,198)	--	(23,198)	--
Total Governmental Activities	574,859	72,790	6,000	--	(496,069)	--	(496,069)	--
Business-type Activities:								
Sewer Fund	50,056	100,666	--	--	--	50,610	50,610	--
Total Business-type Activities	50,056	100,666	--	--	--	50,610	50,610	--
Total Primary Government	\$ 624,915	\$ 173,456	\$ 6,000	\$ --	\$ (496,069)	\$ 50,610	\$ (445,459)	--
Component Unit								
DDA	\$ 65,415	\$ --	\$ --	\$ --	--	--	--	(65,415)
Total Component Unit	\$ 65,415	\$ --	\$ --	\$ --	--	--	--	(65,415)
General Purpose Revenues:								
Revenues								
Property Taxes					761,421	--	761,421	86,903
Interest Income					1,613	792	2,405	178
State Revenue Sharing					123,511	--	123,511	--
Total General Revenues					886,545	792	887,337	87,081
Change in Net Position					390,476	51,402	441,878	21,666
<i>Net Position at Beginning of Period</i>					2,762,789	159,176	2,921,965	301,202
Net Position at End of Period					\$ 3,153,265	\$ 210,578	\$ 3,363,843	\$ 322,868

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Melrose
Balance Sheet
Governmental Funds
March 31, 2019**

		<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>General</u>	<u>Secondary Road Fund</u>	<u>2010 Road Fund</u>	<u>Fire Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	\$ 562,326	\$ 243,637	\$ 177,079	\$ 175,052	\$ 210,137	\$ 1,368,231
Prepaid Items	13,733	--	--	--	--	13,733
Due from Other Governments	42,017	8,495	8,740	4,370	9,813	73,435
Note Receivable	--	--	--	30,000	--	30,000
Advance to Sewer Fund	107,164	--	--	--	--	107,164
<i>Total Assets</i>	\$ 725,240	\$ 252,132	\$ 185,819	\$ 209,422	\$ 219,950	\$ 1,592,563
LIABILITIES						
Accounts Payable	\$ 20,451	\$ --	\$ --	\$ --	\$ --	\$ 20,451
Accrued Liabilities	14,250	--	--	--	9,927	24,177
<i>Total Liabilities</i>	34,701	--	--	--	9,927	44,628
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	--	--	--	30,000	--	30,000
<i>Total Liabilities and Deferred Inflows of Resources</i>	34,701	--	--	30,000	9,927	74,628
FUND BALANCE						
Nonspendable	120,897	--	--	--	--	120,897
Restricted	--	252,132	185,819	179,422	210,023	827,396
Unassigned	569,642	--	--	--	--	569,642
<i>Total Fund Balance</i>	690,539	252,132	185,819	179,422	210,023	1,517,935
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 725,240	\$ 252,132	\$ 185,819	\$ 209,422	\$ 219,950	\$ 1,592,563

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Melrose
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
March 31, 2019

Total Fund Balance - Governmental Funds	\$ 1,517,935
General government capital assets of \$3,251,685, net of accumulated depreciation of \$1,106,773, are not financial resources and, accordingly, are not reported in the funds.	2,144,912
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, the interest expenditure is reported when due.	(9,582)
Long-term liabilities, including the current portion of long-term debt, are not payable in the current period and, therefore, are not reported in the funds.	(530,000)
Long-term receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.	30,000
Total Net Position - Governmental Activities	\$ <u>3,153,265</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Melrose
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2019

		<u>Special Revenue</u>		<u>Capital Projects</u>		
	<u>General</u>	<u>Secondary Road Fund</u>	<u>2010 Road Fund</u>	<u>Fire Sinking Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Property Taxes	\$ 222,222	\$ 145,059	\$ 149,239	\$ 74,618	\$ 170,283	\$ 761,421
State Revenue Sharing	123,511	--	--	--	--	123,511
Contributions from Local Units	--	--	--	--	4,000	4,000
Charges for Services	69,995	--	--	--	--	69,995
Interest and Rentals	3,366	250	105	224	243	4,188
Other Revenue	220	--	--	10,000	2,000	12,220
Total Revenues	419,314	145,309	149,344	84,842	176,526	975,335
Expenditures						
Legislative	24,133	--	--	--	--	24,133
General Government	165,146	--	--	--	--	165,146
Public Safety	--	--	--	--	70,838	70,838
Public Works	65,452	7,607	--	--	--	73,059
Health and Welfare	--	--	--	--	35,299	35,299
Community and Economic Development	37,760	--	--	--	--	37,760
Recreation and Culture	19,978	--	--	--	--	19,978
Capital Outlay	32,157	164,077	131,892	48,127	--	376,253
Debt Service, Principal	--	--	--	--	45,000	45,000
Debt Service, Interest	--	--	--	--	13,616	13,616
Total Expenditures	344,626	171,684	131,892	48,127	164,753	861,082
Excess of Revenues Over						
(Under) Expenditures	74,688	(26,375)	17,452	36,715	11,773	114,253
Net Change in Fund Balance	74,688	(26,375)	17,452	36,715	11,773	114,253
<i>Fund Balance at Beginning of Period</i>	615,851	278,507	168,367	142,707	198,250	1,403,682
Fund Balance at End of Period	\$ 690,539	\$ 252,132	\$ 185,819	\$ 179,422	\$ 210,023	\$ 1,517,935

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Melrose
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended March 31, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 114,253
Changes to accrued interest are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	(9,582)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures of \$376,253 exceeds depreciation expense of \$125,448.	250,805
Long-term debt payments are reported as financing uses in the governmental funds and thus contribute to the change in fund balance. However, debt payments reduce long-term debt on the statement of net position. This represents the amount of principal payments made during the year on long-term debt.	45,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the current year change in unavailable revenues within the fund statements.	(10,000)
Changes in Net Position - Governmental Activities	\$ <u>390,476</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Melrose
Statement of Net Position
Proprietary Fund
March 31, 2019**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
ASSETS	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 72,178
Accounts Receivable	25,285
Prepaid Items	583
<i>Total Current Assets</i>	<u>98,046</u>
<i>Noncurrent Assets</i>	
Restricted Cash	31,640
Capital Assets not Being Depreciated	45,733
Capital Assets Being Depreciated, Net	668,548
<i>Total Assets</i>	<u>843,967</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	2,408
Accrued Interest	817
Current Portion of Long-term Debt	9,000
<i>Total Current Liabilities</i>	<u>12,225</u>
<i>Noncurrent Liabilities</i>	
Long-term Debt	514,000
Advance from General Fund	107,164
<i>Total Liabilities</i>	<u>633,389</u>
NET POSITION	
Net Investment in Capital Assets	191,281
<i>Restricted for:</i>	
Debt Service	31,640
<i>Unrestricted</i>	(12,343)
<i>Total Net Position</i>	<u>\$ 210,578</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Melrose
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended March 31, 2019

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
Operating Revenues	
Charges for Services	\$ 100,666
<i>Total Operating Revenues</i>	<u>100,666</u>
Operating Expenses	
Operating Expenses	9,060
Repairs and Maintenance	4,617
Contracted Services	4,390
Utilities	1,065
Insurance	1,265
Depreciation	17,451
Other	1,500
<i>Total Operating Expenses</i>	<u>39,348</u>
<i>Operating Income (Loss)</i>	<u>61,318</u>
Non-Operating Revenues (Expenses)	
Interest Income	792
Interest Expense	(10,708)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(9,916)</u>
<i>Change In Net Position</i>	<u>51,402</u>
<i>Net Position at Beginning of Period</i>	159,176
<i>Net Position at End of Period</i>	<u>\$ 210,578</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Melrose
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2019**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Sewer Fund</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 110,468
Cash Payments to Suppliers	(10,493)
Cash Payments to Employees	(9,060)
<i>Net Cash Provided by Operating Activities</i>	<u>90,915</u>
 Cash Flows from Capital and Related Financing Activities	
Principal Payment on Long-term Debt	(9,000)
Interest Paid on Long-term Debt	(9,891)
Advances	(660)
Purchase of Capital Assets	(8,358)
<i>Net Cash Used by Capital and Related Financing Activities</i>	<u>(27,909)</u>
 Cash Flows from Investing Activities	
Interest Income	792
<i>Net Cash Provided by Investing Activities</i>	<u>792</u>
 Net Increase in Cash and Equivalents	63,798
<i>Cash and Equivalents - Beginning of Year</i>	40,020
<i>Cash and Equivalents - End of Year</i>	<u>\$ 103,818</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 61,318
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	17,451
Changes in Assets and Liabilities	
Accounts Receivable	9,802
Prepaid Items	13
Accounts Payable	2,331
Net Cash Provided by Operating Activities	<u>\$ 90,915</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Township of Melrose
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
March 31, 2019

	<u>Agency</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,213
<i>Total Assets</i>	<u>2,213</u>
LIABILITIES	
Due to Other Governments	2,213
<i>Total Liabilities</i>	<u>\$ 2,213</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Township of Melrose

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Melrose (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

Reporting Entity

The Township is a General Law Township located in Charlevoix County, Michigan. 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.

These financial statements only present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

Discretely Presented Component Unit

Downtown Development Authority

The members of the governing board of the Downtown Development Authority are appointed by the Township Board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township Board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements for the component unit are not separately prepared.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

Township of Melrose

Notes to the Financial Statements

given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Township reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state revenue sharing, and charges for services.

The ***secondary road fund*** accounts for taxes levied for the purpose of road construction and maintenance on all secondary roads.

Township of Melrose

Notes to the Financial Statements

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

The **fire sinking fund** accounts for taxes levied for the purpose of acquiring fire equipment for the fire department.

The Township reports the following major proprietary fund:

The **sewer fund** accounts for the activities of the Township's sewage collection systems. Revenues are primarily derived from charges for services.

Additionally, the government reports the following fund types:

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies, and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Basis of Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.

Township of Melrose

Notes to the Financial Statements

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3. Prior to the first day of the following fiscal year, the budget is legally enacted through the passage of a resolution.
 4. The legal level of budgetary control is at the activity level for the general fund and the functional level for special revenue funds.
 5. Budget appropriations lapse at year-end.
 6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand and demand deposits.

The Township treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- U.S. Treasury Bills – obligations of the United States Government sold at a discount from par with a specific maturity date up to a maximum of one year.
- Certificate of Deposit -CD- is a receipt of funds deposited in a financial institution for a specified period at a specified rate of interest with non-negotiable terms.
- Savings Account – a deposit evidenced by a passbook or monthly statement. Entries are made for each deposit and withdrawal and interest is paid in accordance with the policy of the financial institution.
- Commercial Paper – Short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short term cash.
- Investment Pools – Those investment pools organized under the authority of the urban cooperation act of 1967, 1967 (Ex Sess)PA7 (MCL 124.501 to 124.512), the surplus funds investment pool act, 182 PA 367 (129.111 to 129.118) and the local government investment pool act, 1985 PA 121, (MCL 129.141 to 129.150). Those pools are managed by contractual agreement contained in the inter-local agreement, banks and a township treasurer, respectively.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances

Township of Melrose

Notes to the Financial Statements

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts Receivables

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both governmental-wide and fund financials statements.

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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Land improvements	20 years
Infrastructure	40 years
Equipment	7 to 10 years
Vehicles	10 years

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period that the bond is issued.

In the fund financial statements, governmental funds 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

Township of Melrose

Notes to the Financial Statements

uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the fund level balance sheet and the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Township recognized unavailable revenues in its fund level balance sheets for notes receivable collectible in subsequent periods.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Township of Melrose

Notes to the Financial Statements

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

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

Unassigned fund balance is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township's Board.

Property Tax Revenue Recognition

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, \$.8594 per \$1,000 for fire hall debt, \$.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 2018 state taxable valuation of Melrose Township totaled \$155,937,740.

Township of Melrose

Notes to the Financial Statements

The tax rate for the year ended March 31, 2019, was as follows:

Purpose	Rate/Taxable Valuation	
General operations	0.9720	per \$1,000
2010 road	1.0000	per \$1,000
Secondary roads	0.9720	per \$1,000
Fire operations	0.5000	per \$1,000
Ambulance operations	0.2429	per \$1,000
Fire equipment	0.5000	per \$1,000
Debt	0.8595	per \$1,000

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Note 2 - Excess of Expenditures over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Township incurred the following expenditures which were in excess of the amount appropriated during the year ended March 31, 2019:

Fund / Activity	Final Budget	Actual	Variance
General Fund			
Parks	\$ 8,030	\$ 13,533	\$ (5,503)

Township of Melrose

Notes to the Financial Statements

Note 3 - Cash and Cash Equivalents

Following is a reconciliation of the demand deposit balances as of March 31, 2019:

	Primary	Component	
Statement of Net Position	Government	Unit	Total
Cash and cash equivalents	\$ 1,440,409	\$ 249,216	\$ 1,689,625
Restricted cash	31,640	-	31,640
Statement of Fiduciary Assets and Liabilities			
Cash and cash equivalents	2,213	-	2,213
Total Deposits	\$ 1,474,262	\$ 249,216	\$ 1,723,478
Deposits			
Checking and savings accounts	\$ 1,474,262	\$ 249,216	\$ 1,723,478

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$1,227,226 of the Township's bank balance of \$1,727,226 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Interfund Receivables and Payables

Interfund receivables and payables as reported in the financial statements were comprised of the following:

Receivable Fund	Payable Fund	Amount
General	Sewer	\$ 107,164

In the prior years, the general fund transferred monies to the sewer fund for construction work on the sewer system. The sewer fund is to repay the remaining amount back to the general fund with the tap-in fees that it collects when it hooks up new customers. As a result, this interfund balance is classified as a long-term advance receivable and payable.

Township of Melrose

Notes to the Financial Statements

Note 5 - Capital Assets

Capital asset activity for governmental activities for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 494,566	\$ -	\$ -	\$ 494,566
Capital assets being depreciated:				
Buildings	1,017,163	-	-	1,017,163
Land improvements	516,236	301,439	-	817,675
Equipment	138,632	64,978	-	203,610
Vehicles	708,835	9,836	-	718,671
Subtotal	<u>2,380,866</u>	<u>376,253</u>	<u>-</u>	<u>2,757,119</u>
Accumulated depreciation:				
Buildings	324,221	25,429	-	349,650
Land improvements	209,637	37,024	-	246,661
Equipment	122,124	6,556	-	128,680
Vehicles	325,343	56,439	-	381,782
Subtotal	<u>981,325</u>	<u>125,448</u>	<u>-</u>	<u>1,106,773</u>
Net capital assets being depreciated	<u>1,399,541</u>	<u>250,805</u>	<u>-</u>	<u>1,650,346</u>
Net capital assets	<u>\$ 1,894,107</u>	<u>\$ 250,805</u>	<u>\$ -</u>	<u>\$ 2,144,912</u>

Depreciation expense for governmental activities was charged to the following functions:

General Government	\$ 2,986
Public Safety	86,898
Public Works	11,099
Recreation and Culture	24,465
	<u>\$ 125,448</u>

Township of Melrose

Notes to the Financial Statements

Capital asset activity for the business-type activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 37,375	\$ -	\$ -	\$ 37,375
Construction in progress	-	8,358	-	8,358
Subtotal	<u>37,375</u>	<u>8,358</u>	<u>-</u>	<u>45,733</u>
Capital assets being depreciated:				
Infrastructure	<u>698,055</u>	<u>-</u>	<u>-</u>	<u>698,055</u>
Accumulated depreciation:				
Infrastructure	<u>12,056</u>	<u>17,451</u>	<u>-</u>	<u>29,507</u>
Net capital assets being depreciated	<u>685,999</u>	<u>(17,451)</u>	<u>-</u>	<u>668,548</u>
Net capital assets	<u>\$ 723,374</u>	<u>\$ (9,093)</u>	<u>\$ -</u>	<u>\$ 714,281</u>

Depreciation expense of \$17,451 was charged to the sewer fund.

Capital asset activity for the component unit for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Downtown Development Authority				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 2,241	\$ -	\$ 2,241
Capital assets being depreciated:				
Land improvements	47,379	-	-	47,379
Infrastructure	<u>572,551</u>	<u>-</u>	<u>-</u>	<u>572,551</u>
Subtotal	<u>619,930</u>	<u>-</u>	<u>-</u>	<u>619,930</u>
Accumulated depreciation:				
Land improvements	8,094	2,369	-	10,463
Infrastructure	<u>14,314</u>	<u>28,627</u>	<u>-</u>	<u>42,941</u>
Subtotal	<u>22,408</u>	<u>30,996</u>	<u>-</u>	<u>53,404</u>
Net capital assets being depreciated	<u>597,522</u>	<u>(30,996)</u>	<u>-</u>	<u>566,526</u>
Net capital assets	<u>\$ 597,522</u>	<u>\$ (28,755)</u>	<u>\$ -</u>	<u>\$ 568,767</u>

Depreciation expense of \$30,996 was charged to the community and economic development function of the DDA.

Township of Melrose

Notes to the Financial Statements

Note 6 - Long-term Debt

The Township's long-term debt consisted of the following:

Governmental Activities

\$995,000, 2004 USDA General Obligation bonds due in annual installments of \$20,000 to \$55,000 through May 1, 2013, with semi-annual interest at 4.25%.

Business-type Activity

\$540,000, 2016 USDA General Obligation bonds due in annual installments of \$8,000 to \$21,000 through September 1, 2056, with semi-annual interest at 1.875%.

Component Unit

\$550,000, 2016 Limited Tax General Obligation bonds due in annual installments of \$30,000 to \$45,000 through May 1, 2032, with semi-annual interest ranging from 1.10% to 3.15%.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities					
2004 USDA General Obligation bonds	\$ 575,000	\$ -	\$ (45,000)	\$ 530,000	\$ 30,000
Business-type Activity					
2016 USDA General Obligation bonds	532,000	-	(9,000)	523,000	9,000
Component Unit					
2016 Limited Tax General Obligation bonds	520,000	-	(30,000)	490,000	35,000

Township of Melrose

Notes to the Financial Statements

Annual service requirements to maturity are scheduled below:

Year Ending March 31	Governmental Activities			Business-type Activity		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 30,000	\$ 22,123	\$ 52,123	\$ 9,000	\$ 9,722	\$ 18,722
2021	30,000	20,613	50,613	9,000	9,553	18,553
2022	35,000	19,231	54,231	9,000	9,384	18,384
2023	35,000	17,744	52,744	9,000	9,216	18,216
2024	35,000	16,256	51,256	10,000	9,038	19,038
2025-2029	210,000	55,888	265,888	52,000	42,338	94,338
2030-2034	155,000	10,094	165,094	58,000	37,181	95,181
2035-2039	-	-	-	65,000	31,434	96,434
2040-2044	-	-	-	72,000	24,994	96,994
2045-2049	-	-	-	80,000	17,888	97,888
2050-2054	-	-	-	90,000	9,919	99,919
2055-2057	-	-	-	60,000	1,724	61,724
	<u>\$ 530,000</u>	<u>\$ 161,949</u>	<u>\$ 691,949</u>	<u>\$ 523,000</u>	<u>\$ 212,391</u>	<u>\$ 735,391</u>

Year Ending March 31	Component Unit		
	Principal	Interest	Total
2020	\$ 35,000	\$ 11,371	\$ 46,371
2021	35,000	10,863	45,863
2022	35,000	10,320	45,320
2023	35,000	9,725	44,725
2024	35,000	9,051	44,051
2025-2029	185,000	32,635	217,635
2030-2031	130,000	6,193	136,193
Totals	<u>\$ 490,000</u>	<u>\$ 90,158</u>	<u>\$ 580,158</u>

Township of Melrose

Notes to the Financial Statements

Note 7 - Restricted Cash

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

	March 31, 2019	
	Required Balance	Actual Balance
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.	\$ 4,903	\$ 6,215
Operation and Maintenance Account		
This account is used to accumulate cash to be used solely for the payment of reasonable and necessary current expenses of administration and operating and maintaining the sewer system.	-	12,800
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.	5,250	5,250
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.	7,375	7,375
	<u>\$ 17,528</u>	<u>\$ 31,640</u>

Township of Melrose

Notes to the Financial Statements

Note 8 - Fund Balance Classifications

Amounts for specific purposes by fund and fund balance classifications for the year ended March 31, 2019, are as follows:

Classification/Fund	Purpose	Actual
<i>Nonspendable</i>		
General	Prepaid expenditures	\$ 13,733
General	Interfund advance	107,164
Total Nonspendable		<u>120,897</u>
<i>Restricted</i>		
Secondary Road	Roads	252,132
2010 Road	Roads	185,819
Fire Operating	Fire operations	106,965
Ambulance	Ambulance services	36,533
Fire Sinking	Capital projects	179,422
Fire Hall Debt Retirement	Debt service	66,525
Total Restricted		<u>827,396</u>
<i>Unassigned</i>		
General		569,642
		<u>\$ 1,517,935</u>

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Insurance coverage has not changed significantly and settled claims for the insurance policy have not exceeded the amount of coverage in the past three fiscal years.

Note 10 - Note Receivable

The note receivable consisted of a note receivable from Chandler Township in annual installments of \$10,000, from October 10, 2017 through October 1, 2022, totaling \$50,000. The note receivable is a result of a purchase agreement with Chandler Township for the sale of the Township's 1997 KME Pumper Truck and the 2006 Freightliner 2000 Gallon Tanker.

As of March 31, 2019, the remaining balance of the note receivable was \$30,000 with the full amount being unavailable revenue and listed as a deferred inflow of resources on the fund financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended March 31, 2019

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 219,757	\$ 222,303	\$ 222,222	\$ (81)
State Revenue Sharing	119,800	123,493	123,511	18
Charges for Services	60,500	68,061	69,995	1,934
Interest and Rentals	2,500	3,325	3,366	41
Other Revenue	100	200	220	20
Total Revenues	402,657	417,382	419,314	1,932
Expenditures				
Legislative				
Board	23,100	24,464	24,133	331
General Government				
Supervisor	17,700	17,700	17,400	300
Clerk	23,800	24,225	23,696	529
Information Technology	7,200	10,700	10,450	250
Board of Review	1,300	1,550	1,426	124
Treasurer	24,000	24,000	23,527	473
Assessor	25,700	25,200	25,052	148
Elections	4,900	4,275	4,249	26
Building and Grounds	30,243	13,500	12,482	1,018
Township Property	7,336	6,000	5,328	672
Legal	5,500	10,600	10,550	50
Cemetery	3,673	3,200	2,954	246
Other General Government	48,000	28,300	28,032	268
Total General Government	199,352	169,250	165,146	4,104
Public Works				
Street Lighting	7,500	5,200	5,164	36
Transfer Station	62,017	61,400	58,574	2,826
Other Public Works	1,200	2,000	1,714	286
Total Public Works	70,717	68,600	65,452	3,148
Community and Economic Development				
Planning and Zoning	37,645	38,660	37,760	900
Recreation and Culture				
Parks	7,692	8,030	13,533	(5,503)
Boat Launch	16,144	12,600	6,445	6,155
Total Recreation and Culture	23,836	20,630	19,978	652
Capital Outlay	85,470	32,306	32,157	149
Total Expenditures	440,120	353,910	344,626	9,284
Excess (Deficiency) of Revenues Over Expenditures	(37,463)	63,472	74,688	11,216
Net Change in Fund Balance	(37,463)	63,472	74,688	11,216
Fund Balance at Beginning of Period	615,851	615,851	615,851	--
Fund Balance at End of Period	\$ 578,388	\$ 679,323	\$ 690,539	\$ 11,216

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Secondary Road Fund
For the Year Ended March 31, 2019

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 145,944	\$ 145,059	\$ 145,059	\$ --
Interest and Rentals	240	240	250	10
Total Revenues	146,184	145,299	145,309	10
Expenditures				
Public Works	10,000	7,607	7,607	--
Capital Outlay	185,025	164,077	164,077	--
Total Expenditures	195,025	171,684	171,684	--
Excess (Deficiency) of Revenues Over Expenditures	(48,841)	(26,385)	(26,375)	10
Net Change in Fund Balance	(48,841)	(26,385)	(26,375)	10
Fund Balance at Beginning of Period	278,507	278,507	278,507	--
Fund Balance at End of Period	\$ 229,666	\$ 252,122	\$ 252,132	\$ 10

Township of Melrose
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
2010 Road Fund
For the Year Ended March 31, 2019

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 149,732	\$ 149,239	\$ 149,239	\$ --
Interest and Rentals	250	102	105	3
Total Revenues	149,982	149,341	149,344	3
Expenditures				
Capital Outlay	--	131,892	131,892	--
Total Expenditures	--	131,892	131,892	--
Excess (Deficiency) of Revenues				
Over Expenditures	149,982	17,449	17,452	3
Net Change in Fund Balance	149,982	17,449	17,452	3
<i>Fund Balance at Beginning of Period</i>	168,367	168,367	168,367	--
Fund Balance at End of Period	\$ 318,349	\$ 185,816	\$ 185,819	\$ 3

OTHER SUPPLEMENTARY INFORMATION

**Township of Melrose
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2019**

	Special Revenue		Debt Service	Total Nonmajor Governmental Funds
	Ambulance Fund	Fire Operating Fund	Fire Hall Debt Retirement Fund	
ASSETS				
Cash and Cash Equivalents	\$ 34,411	\$ 112,522	\$ 63,204	\$ 210,137
Due from Other Governments	2,122	4,370	3,321	9,813
<i>Total Assets</i>	\$ 36,533	\$ 116,892	\$ 66,525	\$ 219,950
LIABILITIES				
Accrued Liabilities	\$ --	\$ 9,927	\$ --	\$ 9,927
<i>Total Liabilities</i>	--	9,927	--	9,927
FUND BALANCE				
Restricted	36,533	106,965	66,525	210,023
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	36,533	106,965	66,525	210,023
<i>Total Liabilities and Fund Balance</i>	\$ 36,533	\$ 116,892	\$ 66,525	\$ 219,950

Township of Melrose
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2019

	Special Revenue		Debt Service	Total Nonmajor Governmental Funds
	Ambulance Fund	Fire Operating Fund	Fire Hall Debt Retirement Fund	
Revenues				
Property Taxes	\$ 36,245	\$ 74,618	\$ 59,420	\$ 170,283
Contributions from Local Units	--	4,000	--	4,000
Interest and Rentals	44	126	73	243
Other Revenue	--	2,000	--	2,000
Total Revenues	36,289	80,744	59,493	176,526
Expenditures				
Public Safety	--	70,838	--	70,838
Health and Welfare	35,299	--	--	35,299
Debt Service, Principal	--	--	45,000	45,000
Debt Service, Interest	--	--	13,616	13,616
Total Expenditures	35,299	70,838	58,616	164,753
Excess of Revenues Over (Under) Expenditures	990	9,906	877	11,773
Net Change in Fund Balance	990	9,906	877	11,773
<i>Fund Balance at Beginning of Period</i>	<i>35,543</i>	<i>97,059</i>	<i>65,648</i>	<i>198,250</i>
Fund Balance at End of Period	\$ 36,533	\$ 106,965	\$ 66,525	\$ 210,023

September 10, 2019

To the Township Board
Melrose Township
Walloon Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose (the "Township") for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 3, 2019. 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 the 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. We noted no transactions entered into by the 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 Township's financial statements was:

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are 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. All misstatements were immaterial to the financial statements.

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 September 10, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and 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.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand clearly visible.

Gabridge & Company, PLC
Grand Rapids, MI

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

To the Township Board
Melrose Township
Walloon Lake, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Melrose (the "Township"), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

A handwritten signature in dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI
September 10, 2019