

Township of Johnstown
Barry County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of Johnstown, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, 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 contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Johnstown, Michigan, as of March 31, 2019, and the respective changes in financial position 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 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.

Supplementary information

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

The combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for the nonmajor governmental funds (supplementary information) 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

July 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of Johnstown's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position decreased by \$78,643 as a result of this year's activities.
- Of the \$2,698,031 total net position reported, \$1,566,887 is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$1,228,244, which represents 337 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2019 and 2018 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, library, etc.). Property taxes and state grants generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has one type of fund:

- *Governmental funds.* The Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**Net position**

Total net position at the end of the fiscal year was \$2,698,031. Of this total, \$1,042,858 is invested in capital assets and \$88,286 is restricted for various purposes. Consequently, unrestricted net position was \$1,566,887.

*Condensed financial information
Net position*

	<i>Governmental activities</i>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 1,673,768	\$ 1,774,614
Capital assets	<u>1,179,792</u>	<u>1,222,041</u>
Total assets	<u>2,853,560</u>	<u>2,996,655</u>
Current liabilities	18,595	16,574
Long-term liabilities	<u>136,934</u>	<u>203,407</u>
Total liabilities	<u>155,529</u>	<u>219,981</u>
Net position:		
Net investment in capital assets	1,042,858	1,018,634
Restricted	88,286	82,329
Unrestricted	<u>1,566,887</u>	<u>1,675,711</u>
Total net position	<u>\$ 2,698,031</u>	<u>\$ 2,776,674</u>

Changes in net position

The Township's total revenues were \$728,298. Approximately 50 percent of the Township's revenues comes from property taxes, 35 percent from state grants, and 12 percent from charges for services.

The total cost of the Township's programs totaled \$806,941. Approximately 31 percent of the Township's costs related to the provision of general government. Public safety costs accounted for 26 percent and public works costs were 39 percent of the Township's total expenses.

Condensed financial information
Changes in net position

	<i>Governmental</i>	
	<i>activities</i>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 90,076	\$ 101,970
Operating grants and contributions	4,313	4,258
Capital grants and contributions	-	18,009
General revenues:		
Property taxes	367,674	355,537
State shared revenue	256,241	245,872
Interest income	9,994	5,206
Special item	-	11,513
	<u>728,298</u>	<u>742,365</u>
Expenses:		
General government	249,433	236,284
Public safety	209,796	221,335
Public works	312,852	97,809
Recreation and culture	30,850	30,041
Interest on long-term debt	4,010	5,336
	<u>806,941</u>	<u>590,805</u>
Changes in net position	<u>\$ (78,643)</u>	<u>\$ 151,560</u>
Net position, end of year	<u>\$ 2,698,031</u>	<u>\$ 2,776,674</u>

Governmental activities

Governmental activities decreased the Township's net position by \$78,643 compared to an increase of \$151,560 in 2018. The Township's revenues decreased \$14,067 from 2018, while the operating costs increased by \$216,136 from 2018. The decrease in revenues was due primarily to a reduction in special assessments levied for aquatic weed control in 2019 and the receipt of other non-recurring revenues in fiscal year 2018. The increase in expenses was due primarily to increased road maintenance costs. The remaining categories of revenues and expenses remained relatively consistent for both periods.

The total cost of governmental activities this year was \$806,941. After subtracting the charges to those who directly benefited from the programs (\$90,076) and operating and capital grants (\$4,313), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$712,552, compared to \$466,568 in 2018.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,655,173, a decrease of \$83,931 from the prior year.

The General Fund is the primary operating fund of the Township. At the end of the current fiscal year, its fund balance was \$1,291,064, a decrease of \$30,046 during the year, as expenditures of \$364,726 and transfers out of \$105,000 exceeded revenues of \$436,642 and transfers in of \$3,038.

The Road Fund is used to account for property tax revenues restricted for road maintenance. Its fund balance at the end of the current fiscal year was \$118,699, a decrease of \$97,003, as public works costs of \$205,337 exceeded current year revenues of \$55,834 and a transfer from the General Fund of \$52,500.

The Fire Fund is used to account for property tax revenues restricted for fire protection costs (both operating and capital). Its fund balance at the end of the current fiscal year was \$157,124, as current year revenues of \$121,833 and a transfer from the General Fund of \$52,500 exceeded public safety costs of \$137,172.

The Dowling Library Fund is used to account for property tax revenues restricted for the operation of the Dowling Public Library. The fund does not have a fund balance as all property tax revenues are remitted to the Dowling Public Library, which provides library services to the Township's citizens.

The Fire Capital Fund is used to account for property taxes restricted for fire capital purchases. Its fund balance at the end of the current fiscal year was \$43,676, an increase of \$9,607, as current year revenues of \$82,295 exceeded capital outlay of \$2,205 and debt service costs of \$70,483.

General Fund budgetary highlights

The Township amended the General Fund expenditure budget by \$81,253 to reflect unanticipated general government and public works costs. Revenues were \$26,229 more than anticipated, primarily because state grants were \$10,391 more than budgeted, as State distributions were higher than expected and interest revenues were \$11,045 more than budgeted as interest rates increased during the year. Expenditures were \$19,074 less than the amounts appropriated, as all of the Township's activities were at or slightly below projected levels. Net other financing uses were \$6,162 less than anticipated, as transfers in were \$727 more than budgeted and transfers out were \$6,889 less than budgeted. These variances resulted in an \$51,465 positive budget variance, with a \$30,046 decrease in fund balance compared to a budget that anticipated an \$81,511 decrease in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of March 31, 2019, amounts to \$1,179,792 (net of accumulated depreciation). This investment includes land, buildings, equipment, and vehicles. The Township's net investment in capital assets decreased by \$42,249 for the current year, as \$53,379 in asset acquisitions were offset by \$95,628 in current depreciation.

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

- Election equipment totaling \$3,515
- Township Hall Signage totaling \$32,045
- Rooftop humidifiers totaling \$17,819

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had an installment purchase agreement outstanding in the amount of \$136,934, after debt principal payments in 2019 of \$66,473. All debt is backed by the full faith and credit of the Township.

More detailed information about the Township's long-term debt is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township plans to primarily use current revenues to provide essential services in fiscal year 2020 in order to maintain current fund balances. Expenditures are expected to increase by nominal amounts compared to fiscal year 2019. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition and operational capabilities of the Township. The Township will consider the need for various capital expenditures and additional road improvement projects.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances 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:

Barbara Earl, Township Supervisor
Township of Johnstown
13641 South M-37 Highway
Battle Creek, MI 49017

Phone: (269) 721-9709 Ext. 203

BASIC FINANCIAL STATEMENTS

Township of Johnstown

STATEMENT OF NET POSITION

March 31, 2019

	<u><i>Governmental activities</i></u>
ASSETS	
Current assets:	
Cash	\$ 1,571,953
Receivables, net	80,996
Prepaid expenses	<u>20,819</u>
Total current assets	<u>1,673,768</u>
Noncurrent assets:	
Capital assets not being depreciated	9,012
Capital assets, net of accumulated depreciation	<u>1,170,780</u>
Total noncurrent assets	<u>1,179,792</u>
Total assets	<u>2,853,560</u>
LIABILITIES	
Current liabilities:	
Payables	18,595
Long term debt	<u>67,760</u>
Total current liabilities	86,355
Noncurrent liabilities - long-term debt	<u>69,174</u>
Total liabilities	<u>155,529</u>
NET POSITION	
Net investment in capital assets	1,042,858
Restricted for:	
Public works	44,610
Capital acquisition	43,676
Unrestricted	<u>1,566,887</u>
Total net position	<u>\$ 2,698,031</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended March 31, 2019

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		<u>Net (expenses) revenues and change in net position</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	
Governmental activities:				
General government	\$ 249,433	\$ 48,542	\$ -	\$ (200,891)
Public safety	209,796	17,343	-	(192,453)
Public works	312,852	24,191	4,313	(284,348)
Recreation and culture	30,850	-	-	(30,850)
Interest on long-term obligations	4,010	-	-	(4,010)
Total governmental activities	<u>\$ 806,941</u>	<u>\$ 90,076</u>	<u>\$ 4,313</u>	<u>(712,552)</u>
General revenues:				
Taxes				367,674
State grants				256,241
Investment income				<u>9,994</u>
Total general revenues				<u>633,909</u>
Change in net position				(78,643)
Net position - beginning				<u>2,776,674</u>
Net position - ending				<u>\$ 2,698,031</u>

See notes to financial statements

Township of Johnstown

BALANCE SHEET - governmental funds

March 31, 2019

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Dowling Library</u>	<u>Fire Capital</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS							
Cash	\$ 1,230,756	\$ 114,729	\$ 145,651	\$ -	\$ 37,414	\$ 43,403	\$ 1,571,953
Receivables	51,917	3,970	15,292	2,348	6,262	1,207	80,996
Prepaid items	12,446	-	8,373	-	-	-	20,819
Total assets	<u>\$ 1,295,119</u>	<u>\$ 118,699</u>	<u>\$ 169,316</u>	<u>\$ 2,348</u>	<u>\$ 43,676</u>	<u>\$ 44,610</u>	<u>\$ 1,673,768</u>
LIABILITIES AND FUND BALANCES							
Liabilities - payables	\$ 4,055	\$ -	\$ 12,192	\$ 2,348	\$ -	\$ -	\$ 18,595
Fund balances:							
Nonspendable for prepaid items	12,446	-	8,373	-	-	-	20,819
Restricted for:							
Capital purchases	-	-	-	-	43,676	-	43,676
Weed control	-	-	-	-	-	44,610	44,610
Assigned for:							
Roads	-	118,699	-	-	-	-	118,699
Fire protection	-	-	148,751	-	-	-	148,751
Capital purchases	50,374	-	-	-	-	-	50,374
Unassigned	1,228,244	-	-	-	-	-	1,228,244
Total fund balances	<u>1,291,064</u>	<u>118,699</u>	<u>157,124</u>	<u>-</u>	<u>43,676</u>	<u>44,610</u>	<u>1,655,173</u>
Total liabilities and fund balances	<u>\$ 1,295,119</u>	<u>\$ 118,699</u>	<u>\$ 169,316</u>	<u>\$ 2,348</u>	<u>\$ 43,676</u>	<u>\$ 44,610</u>	<u>\$ 1,673,768</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 1,655,173

Amounts reported for *governmental activities* in the statement of net position (page 10) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 1,179,792

Notes payable are not due and payable in the current period and, therefore, are not reported in the funds. (136,934)

Net position of *governmental activities* \$ 2,698,031

Township of Johnstown

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended March 31, 2019

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Dowling Library</u>	<u>Fire Capital</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES							
Taxes	\$ 133,828	\$ 52,174	\$ 104,356	\$ 30,850	\$ 82,282	\$ -	\$ 403,490
State grants	260,554	-	-	-	-	-	260,554
Charges for services	9,638	-	12,600	-	-	-	22,238
Interest	12,945	160	147	-	13	46	13,311
Other	19,677	3,500	4,730	-	-	19,734	47,641
Total revenues	<u>436,642</u>	<u>55,834</u>	<u>121,833</u>	<u>30,850</u>	<u>82,295</u>	<u>19,780</u>	<u>747,234</u>
EXPENDITURES							
Current:							
General government	218,821	-	-	-	-	-	218,821
Public safety	-	-	133,319	-	-	-	133,319
Public works	87,123	205,337	-	-	-	20,392	312,852
Recreation and culture	-	-	-	30,850	-	-	30,850
Capital outlay	58,782	-	3,853	-	2,205	-	64,840
Debt service:							
Principal	-	-	-	-	66,473	-	66,473
Interest	-	-	-	-	4,010	-	4,010
Total expenditures	<u>364,726</u>	<u>205,337</u>	<u>137,172</u>	<u>30,850</u>	<u>72,688</u>	<u>20,392</u>	<u>831,165</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>71,916</u>	<u>(149,503)</u>	<u>(15,339)</u>	<u>-</u>	<u>9,607</u>	<u>(612)</u>	<u>(83,931)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	3,038	52,500	52,500	-	-	-	108,038
Transfers out	(105,000)	-	-	-	-	(3,038)	(108,038)
Total other financing sources (uses)	<u>(101,962)</u>	<u>52,500</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>(3,038)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>(30,046)</u>	<u>(97,003)</u>	<u>37,161</u>	<u>-</u>	<u>9,607</u>	<u>(3,650)</u>	<u>(83,931)</u>
FUND BALANCES - BEGINNING	<u>1,321,110</u>	<u>215,702</u>	<u>119,963</u>	<u>-</u>	<u>34,069</u>	<u>48,260</u>	<u>1,739,104</u>
FUND BALANCES - ENDING	<u>\$ 1,291,064</u>	<u>\$ 118,699</u>	<u>\$ 157,124</u>	<u>\$ -</u>	<u>\$ 43,676</u>	<u>\$ 44,610</u>	<u>\$ 1,655,173</u>

See notes to financial statements

Township of Johnstown

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2019

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 13) \$ (83,931)

Amounts reported for *governmental activities* in the statement of activities (page 11) are different because:

Capital assets:

Assets acquired 53,379
Provision for depreciation (95,628)

Long-term debt:

Principal payments 66,473

Net decrease in deferred inflows of resources:

Unavailable special assessment revenues (18,936)

Change in net position of *governmental activities* \$ (78,643)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Johnstown, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Township (located in Barry County), as there are no other entities for which the Township is considered to be financially accountable.

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 activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The major individual governmental funds are reported as a separate column 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, 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 only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund, a special revenue fund, accounts for financial resources used for road maintenance projects in the Township. Revenues are primarily derived from property taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Fire Fund, a special revenue fund, accounts for financial resources used for the operational costs of the Township's public safety functions. Revenues are primarily derived from property taxes.

The Dowling Library Fund, a special revenue fund, accounts for financial resources used to support the Dowling Public Library. Revenues are derived from property taxes.

The Fire Capital Fund, a capital project fund, accounts for capital purchases financed through property taxes and loan proceeds.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Assets, liabilities, deferred inflows of resources, and net position or equity:

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds, except that all interest earned by the Building Fund is included in investment income of the General Fund.

Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

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

Capital assets - Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 15 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or equity (continued):

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

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

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally 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 and regulations of other governments. The Township Board retains the authority to assign fund balances as to purpose. Unassigned fund balances are amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted or assigned to those purposes. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or equity (continued):

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 affect 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. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Dowling Library	Recreation and culture	\$ 30,000	\$ 30,850	\$ 850

NOTE 3 - CASH

State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority. At March 31, 2019, the Township had deposits with a carrying amount of \$1,571,953.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At March 31, 2019, \$501,091 of the Township’s bank balances of \$1,575,730 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2019, for the Township's individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 9,499	\$ 2,660	\$ 39,758	\$ 51,917
Road	3,970	-	-	3,970
Fire	7,942	-	7,350	15,292
Dowling Library	2,348	-	-	2,348
Fire Capital	6,262	-	-	6,262
Nonmajor	-	1,207	-	1,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 30,021</u>	<u>\$ 3,867</u>	<u>\$ 47,108</u>	<u>\$ 80,996</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 9,012	\$ -	\$ -	\$ 9,012
Capital assets being depreciated:				
Buildings and improvements	925,135	-	-	925,135
Equipment	481,082	53,379	-	534,461
Vehicles	1,056,295	-	-	1,056,295
Subtotal	<u>2,462,512</u>	<u>53,379</u>	<u>-</u>	<u>2,515,891</u>
Less accumulated depreciation for:				
Buildings and improvements	(155,824)	(26,629)	-	(182,453)
Equipment	(369,003)	(34,666)	-	(403,669)
Vehicles	(724,656)	(34,333)	-	(758,989)
Subtotal	<u>(1,249,483)</u>	<u>(95,628)</u>	<u>-</u>	<u>(1,345,111)</u>
Total capital assets being depreciated, net	<u>1,213,029</u>	<u>(42,249)</u>	<u>-</u>	<u>1,170,780</u>
Governmental activities capital assets, net	<u>\$1,222,041</u>	<u>\$ (42,249)</u>	<u>\$ -</u>	<u>\$1,179,792</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 25,209
Public safety	<u>70,419</u>
Total	<u>\$ 95,628</u>

NOTE 6 - PAYABLES

Payables as of March 31, 2019, for the Township's individual major funds and nonmajor funds, in the aggregate, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter-governmental</u>	<u>Totals</u>
General	\$ 1,627	\$ 2,428	\$ -	\$ 4,055
Fire	6,390	5,802	-	12,192
Dowling Library	-	-	2,348	2,348
Totals	<u>\$ 8,017</u>	<u>\$ 8,230</u>	<u>\$ 2,348</u>	<u>\$ 18,595</u>

NOTE 7 - LONG-TERM DEBT

At March 31, 2019, long-term debt consists of the following single issue: \$335,000 2015 1.98% Note payable, Hasting City Bank - due in annual installments of \$70,482, including interest, beginning June 2016 through June 2020.

All debt is secured by the full faith and credit of the Township.

Long-term debt activity for the year ended March 31, 2019, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2015 Note payable	<u>\$ 203,407</u>	<u>\$ -</u>	<u>\$ (66,473)</u>	<u>\$ 136,934</u>	<u>\$ 67,760</u>

At March 31, 2019, debt service requirements on long-term debt are follows:

<u>Year ended</u>	<u>Governmental activities</u>	
<u>March 31:</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 67,760	\$ 2,722
2021	<u>69,174</u>	<u>1,308</u>
	<u>\$ 136,934</u>	<u>\$ 4,030</u>

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

The transfers to the Fire Fund and Road Fund from the General Fund represent annual appropriations of \$52,500, each, for future road maintenance and public safety operations.

The transfer to the General Fund from the Bristol Lake Weed Fund represents reimbursement for the initial start-up costs of the special assessment district.

NOTE 9 - PROPERTY TAX REVENUES

The 2018 taxable valuation of the Township approximated 104,293,000, on which ad valorem taxes levied consisted of 0.9352 mills for operating purposes, 1.0000 mills for fire protection, 0.7885 mills for fire capital, 0.5000 mills for roads, and 0.2957 mills for library services, raising approximately \$98,000 for operating purposes, \$104,000 for fire protection, \$82,000 for fire capital, \$52,000 for roads, and \$31,000 for library services. These amounts are recognized in the respective fund financial statements as property tax revenue.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The Township and its employees contribute to the Johnstown Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all elected officials, salaried fire employees, and volunteer firefighters.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 10% of covered payroll to the first class of qualifying employees. The Township contributes \$200 for salaries under \$1,000, plus an additional \$200 for each additional \$1,000 of salary, up to \$800, then \$100 for each additional \$1,000 of compensation. Employees are permitted to make contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended March 31, 2019, the Township made contributions of \$22,499. At March 31, 2019, the Township reported \$4,132 accrued liability as part of the contributions to the plan.

The Township's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs after one month of service.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 11 - 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 Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

The Township, together with the Townships of Barry, Hope, and Prairieville, established the Southwest Barry County Sewer and Water Authority (the Authority), under the provisions of Act 233 of 1955, to operate, maintain, administer, and manage a sewage collection and disposal system. The governing body of the Authority is made up of one elected official from each member township. Operating costs are financed through user fees, and debt service costs are paid from special assessments upon benefited properties. The Township does not retain an ongoing financial interest or responsibility in the Authority.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after December 15, 2018. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 130,050	\$ 130,050	\$ 133,828	\$ 3,778
State grants	250,163	250,163	260,554	10,391
Charges for services	8,000	8,000	9,638	1,638
Interest	1,900	1,900	12,945	11,045
Other	20,300	20,300	19,677	(623)
Total revenues	<u>410,413</u>	<u>410,413</u>	<u>436,642</u>	<u>26,229</u>
EXPENDITURES				
General government:				
Legislative	8,305	8,305	8,116	189
Supervisor	22,805	22,805	21,883	922
Election	4,130	10,610	10,597	13
Assessor	31,600	33,600	31,810	1,790
Clerk	37,200	32,150	29,842	2,308
Board of review	2,075	2,075	1,694	381
Treasurer	32,500	32,500	31,493	1,007
Hall and grounds	29,330	29,330	24,203	5,127
Cemetery	21,920	21,920	19,493	2,427
Other	44,300	44,300	39,690	4,610
Total general government	<u>234,165</u>	<u>237,595</u>	<u>218,821</u>	<u>18,774</u>
Public works:				
Drains	2,000	82,232	82,232	-
Street lights	1,550	1,550	1,357	193
Transfer station	3,600	3,600	3,534	66
Total public works	<u>7,150</u>	<u>87,382</u>	<u>87,123</u>	<u>259</u>
Capital outlay	<u>61,232</u>	<u>58,823</u>	<u>58,782</u>	<u>41</u>
Total expenditures	<u>302,547</u>	<u>383,800</u>	<u>364,726</u>	<u>19,074</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>107,866</u>	<u>26,613</u>	<u>71,916</u>	<u>45,303</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,765	3,038	(727)
Transfers out	(125,000)	(111,889)	(105,000)	6,889
Total other financing sources (uses)	<u>(125,000)</u>	<u>(108,124)</u>	<u>(101,962)</u>	<u>6,162</u>
NET CHANGES IN FUND BALANCES	(17,134)	(81,511)	(30,046)	51,465
FUND BALANCES - BEGINNING	<u>1,321,110</u>	<u>1,321,110</u>	<u>1,321,110</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,303,976</u>	<u>\$ 1,239,599</u>	<u>\$ 1,291,064</u>	<u>\$ 51,465</u>

BUDGETARY COMPARISON SCHEDULE - Road Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 50,100	\$ 50,100	\$ 52,174	\$ 2,074
Interest	80	80	160	80
Other	-	-	3,500	3,500
Total revenues	<u>50,180</u>	<u>50,180</u>	<u>55,834</u>	<u>5,654</u>
EXPENDITURES				
Public works	<u>207,552</u>	<u>210,552</u>	<u>205,337</u>	<u>5,215</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(157,372)	(160,372)	(149,503)	10,869
OTHER FINANCING SOURCES				
Transfers in	<u>52,500</u>	<u>52,500</u>	<u>52,500</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(104,872)	(107,872)	(97,003)	10,869
FUND BALANCES - BEGINNING	<u>215,702</u>	<u>215,702</u>	<u>215,702</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 110,830</u>	<u>\$ 107,830</u>	<u>\$ 118,699</u>	<u>\$ 10,869</u>

BUDGETARY COMPARISON SCHEDULE - Fire Fund

Year ended March 31, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Taxes	\$ 100,104	\$ 100,104	\$ 104,356	\$ 4,252
Charges for services	10,850	10,850	12,600	1,750
Interest	63	63	147	84
Other	9,800	9,800	4,730	(5,070)
Total revenues	<u>120,817</u>	<u>120,817</u>	<u>121,833</u>	<u>1,016</u>
EXPENDITURES				
Public safety	149,550	151,050	133,319	17,731
Capital outlay	15,000	13,500	3,853	9,647
Total expenditures	<u>164,550</u>	<u>164,550</u>	<u>137,172</u>	<u>27,378</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(43,733)	(43,733)	(15,339)	28,394
OTHER FINANCING SOURCES				
Transfers in	52,500	52,500	52,500	-
NET CHANGES IN FUND BALANCES	8,767	8,767	37,161	28,394
FUND BALANCES - BEGINNING	<u>119,963</u>	<u>119,963</u>	<u>119,963</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 128,730</u>	<u>\$ 128,730</u>	<u>\$ 157,124</u>	<u>\$ 28,394</u>

BUDGETARY COMPARISON SCHEDULE - Dowling Library Fund

Year ended March 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Taxes	\$ 30,000	\$ 30,000	\$ 30,850	\$ 850
EXPENDITURES				
Recreation and culture	<u>30,000</u>	<u>30,000</u>	<u>30,850</u>	<u>(850)</u>
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - nonmajor governmental funds

March 31, 2019

	<u>Mill Lake Aquatic</u>	<u>Bristol Lake Channel Aquatic</u>	<u>Fine Lake Aquatic</u>	<u>Totals</u>
ASSETS				
Cash	\$ 18,308	\$ -	\$ 25,095	\$ 43,403
Receivables	710	-	497	1,207
	<u>\$ 19,018</u>	<u>\$ -</u>	<u>\$ 25,592</u>	<u>\$ 44,610</u>
Total assets				
FUND BALANCES				
Fund balances - restricted for weed control	<u>\$ 19,018</u>	<u>\$ -</u>	<u>\$ 25,592</u>	<u>\$ 44,610</u>

Township of Johnstown

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2019

	<i>Mill Lake Aquatic</i>	<i>Bristol Lake Channel Aquatic</i>	<i>Fine Lake Aquatic</i>	<i>Totals</i>
REVENUES				
Interest	\$ 16	\$ 4	\$ 26	\$ 46
Other	<u>9,366</u>	<u>-</u>	<u>10,368</u>	<u>19,734</u>
Total revenues	<u>9,382</u>	<u>4</u>	<u>10,394</u>	<u>19,780</u>
EXPENDITURES				
Current - public works	<u>6,187</u>	<u>2,475</u>	<u>11,730</u>	<u>20,392</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	3,195	(2,471)	(1,336)	(612)
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>(3,038)</u>	<u>-</u>	<u>(3,038)</u>
NET CHANGES IN FUND BALANCES				
	3,195	(5,509)	(1,336)	(3,650)
FUND BALANCES - BEGINNING				
	<u>15,823</u>	<u>5,509</u>	<u>26,928</u>	<u>48,260</u>
FUND BALANCES - ENDING				
	<u>\$ 19,018</u>	<u>\$ -</u>	<u>\$ 25,592</u>	<u>\$ 44,610</u>